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QUOTA ALLOCATION AND TRANSFER SCHEMES IN CANADA*

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QUOTA ALLOCATION AND TRANSFER SCHEMES IN CANADA

INTRODUCTION

Across the range of supply management marketing boards in Canada, one finds a great number and diversity of rules governing the movement of quota from farm to farm. These rules have been devised for almost as many reasons as there are boards. But whatever their purpose, they have important effects on the operation of the boards, the controversies surrounding them, and the ease or efficiency with which the industry functions. It is the purpose of this project to document these rules for a sample of boards across Canada, and to trace out some of their economic effects.

The commodity coverage of this report includes the major supply-managed commodities: turkeys, eggs, broiler chickens and milk, the latter subdivided into fluid and industrial milk regulations. These are examined for most of the provinces across Canada. The regional coverage has been conditioned by the response of the boards to a written questionnaire (found in the Appendix), and is incomplete only for certain Atlantic provinces. The data incorporated throughout the report was derived from the individual boards' responses to this questionnaire, which was sent out and followed up during the summer months of 1986. The various rules and regulations affecting quota allocation and transfer are organized in this report according to the following format:

Commodity, Province

A. Background
   1. Objectives of the Board
   2. Nature of the System
   3. Initial Quota Determination
   4. Maintenance Requirements
   5. Over-Production Penalties

B. Quota Purchase Rules and Procedures--when sale permitted
   1. Initial Requirements
   2. Maximum and Minimum Purchase
   3. Sales Restrictions
   4. Taxes or Levies on Sale
   5. Sale Mechanism (exchange, brokers)
   6. Conditions on Board Approval

B'. Quota Allocation Rules and Procedures--when sale not permitted
   1. Rationing Mechanism
   2. Minimum and Maximum Allocation
   3. Allocation Restrictions

C. New Entrant Program
   1. Objectives of Program
   2. Length and Variation of the Waiting List
   3. Criteria for Successful Admission to the Program
   4. Source of Quota to Finance Entry Program

D. Allocation Rules Governing Changes in Total Quota Stock
   1. Variation in Total Stock of Quota
   2. Allocation System for Increases in Total Quota
   3. Allocation System for Decreases in Total Quota

E. Ownership and Rental of Quota
   1. Ownership of Quota
   2. Rental of Quota
   3. Quota as Collateral
   4. Willing of Quota to Another Party

F. Changes in Industry Structure
   1. Quota Values
   2. Number of Producers in the Industry
   3. Average Farm Size

It quickly becomes clear that among the various supply management boards, there is a large number and great diversity of quota regulations. Each of these rules may have been adopted to deal with a particular concern or problem, but, inevitably, regulations have many unintended effects. Following the documentation of the boards' quota regulations, we briefly analyze them to determine their effects on selected variables of interest. We consider the effects on farm production costs and industry efficiency, quota values, farm size, number of producers and ease of entry into the industry.

Simply documenting the many quota regulations discloses much about the complexity, diversity and ingenuity of these boards' policies. Because this information is important for understanding how the many elements of this country's supply management policy actually are being implemented and because this information usually is not readily available, it will be useful to policy makers, to students of this policy instrument, and to the boards themselves to learn what others are doing and how common problems may be solved.

Further analysis of these features offers the attraction of being able to conclude which package and features of quota regulations are best or worst. However, we do not provide such a summary of the effects of different boards' quota rules. Too many goals and different circumstances are involved to arrive at such general conclusions or a ranking of the overall effectiveness of marketing board. What is provided is an illustration of how quota regulations, chosen with attention to often-conflicting goals, have increased or decreased farm and industry cost levels, industry competitiveness, and economic efficiency.

In the following section, documentation begins with the turkey boards, followed by eggs, broiler chickens, fluid milk and industrial milk, examining provincial boards within each of these commodities in turn. This is followed by analysis of the regulations by board.

TURKEYS

Summary of Rules and Statistics - Turkeys

	B.C.	ALTA.	SASK.	MAN.	ONT.	QUE.	N.B.	N.S.	P.E.I.	NFLD.
Ownership of Quota	Board	Board	Board	Board	Producers	Producers		Producers		
Entry	Buy Farm or Buy Right To Be Issued Quota	Buy Farm and Board Alloc.	Buy Farm and Board Alloc.	Buy Farm and Board Alloc.	Buy Farm and Buy Quota	Buy Quota at Public Auction		Buy or Rent Farm and Board Alloc.		
Quota Rental	Yes	No	No	No	No	Yes		Yes		
Quota Maximum	500,000 kgs.	35,000 birds (1983)	453,597 kgs.	181,439 kgs.	907,200 kgs.	13,935 sq. m.		428,400 kgs.		
Average Farm Size	230,233 kgs. (1986)	174,500 kgs. (1986)	4,661,000 kgs. (1985)	115,000 kgs. (1986)	480,000 kgs. (1986)	2,000 sq. m. (1983)		***		
Number of Producers	48 (1977); 53 (1986)	65 (1983); 56 (1986)	34 (1976); 23 (1985)	82 (1976); 85 (1986)	180 (1980); 159 (1985)	400 (1983); 212 (1985)		11 (1977); 11 (1986)		

PROVINCIAL QUOTA ALLOCATIONS, 1985
TURKEYS

Province	Quota	Market Share %	Number of Producers
	('000s of kilograms - eviscerated weight equivalent)		
B.C.	9,541	9.513	52
ALTA.	8,433	8.408	60
SASK.	3,866	3.855	22
MAN.	7,900	7.877	85
ONT.	42,713	42.589	159
QUE.	24,494	24.423	212
N.B.	1,362	1.358	11
N.S.	1,983	1.977	11
CANADA TOTAL	100,292	100	612

Source: Annual Report, 1985-86. National Farm Products Marketing Council, p. 18.

TURKEYS - BRITISH COLUMBIA

A. Background

The objectives of the British Columbia Turkey Marketing Board, formed in 1966, are to promote strong, efficient production and marketing of turkeys and to consider the interests of both producers and consumers of turkey. Secondary objectives of the Board are to ensure horizontal equity among producers and to restrict vertical integration.

Turkey quota may not be purchased in British Columbia but a person may acquire the "right to be issued quota" from another and may pay for such a right. As of 1979, quota rights have been permitted to trade openly with or without the production facilties attached. Quota is the property of the Board and all arrangements for transfering quota rights must be approved by the Board.

Growers are expected to produce to their allocation. Should they fail to do so (e.g. under-market or over-market), the following sections of the General Order will be applied:

- A registered grower who markets requlated product that is greater 90 percent but less than 100 percent of his allocation in a quota year will have an addition to the next succeeding quota year's allocation corresponding to the number of kilograms of the shortfall;
- a registered grower who markets regulated product that is less than 90 percent but greater than 50 percent of his

allocation in a quota year will have an addition to the next succeeding quota year's allocation corresponding to the number of kilograms that equals 10 percent of such allocation for the quota year of the shortfall;

- a registered grower who fails to market 50 percent of his allocation in any quota year may, at the Board's discretion, be subject to a reduction, suspension or cancellation of his quota;
- and, finally, a registered grower who markets turkeys in an amount that exceeds his total allocation in a quota year shall: a) if the excess is 5 percent or less, have a deduction from the next succeeding quota year's allocation corresponding to the number of kilograms of the excess, or b) if the excess is more than 5 percent, have a deduction from the next succeeding quota year's allocation corresponding to twice the number of kilograms of the excess.

B. Quota Purchase Rules and Procedures

Quota itself cannot be purchased, but the "right to be issued quota" may be purchased by one person from another. Arrangements for purchasing quota rights are made between the transferee and the transferor. However, these arrangements must be approved by the Board. Board approval is not automatic. An application must be made to the Board for each proposed transfer of quota, in a form provided by the Board, not less than 14 days before the proposed effective date of the transfer.

The maximum amount of quota that can be held is 500,000 kilograms live weight per year. There is no minimum amount of quota that may be held.

Certain assets do not have to accompany the quota upon transfer. Between 1966 and 1979, quota was tied to facilities and could not be independently transferred. Since 1979, quota rights have been able to be traded freely with or without the production unit.

No provisions exist such that the quota must be transferred in its entirety. Furthermore, an ongoing operation is not necessary for being able to purchase quota rights. There are no regional within-province restrictions on quota transfers. There are no taxes or levies on quota transfers.

The Board can veto the sale of quota rights between two consenting parties. The Board's criteria for deciding who may purchase quota rights and who may not are as follows:

- an individual producer, a partnership, or a corporate combination of growers may not purchase quota rights if the additional quota results in that party controlling more than 4 percent of the total provincial quota;
- and, no transfer is approved unless the required financing for the proposed quota "purchase" is supplied by a savings institution, a parent (with written consent of the Board), or a person deemed by the Board to have no financial interest in the turkey industry.

C. New Entrant Programs

There are no specific new entrant programs in the British Columbia turkey industry. In order to enter the industry, quota must be obtained from existing producers or through family transfers. The family transfer system allows both parent and child to operate two farms on one land holding for a period of up to two years. After two years, the two production units must be on separate land holdings unless the Board recognizes that the split would result in the separate production units becoming non-viable.

D. Allocation Rules Governing Changes in Total Quota Stock

In the British Columbia turkey industry, growers are issued quota at 100 percent. However, the Board sets the percentage of quota (allocation) on a year to year basis and may vary the percentage during a particular year if the marketing conditions warrant an increase or decrease in production. For 1986, the percentage has been set at 93.5 percent compared to 87 percent in 1985. It is anticipated that in 1987 it will be set at about 95 percent. There has been no increase in the stock of quota since 1972.

E. Ownership and Rental of Quota

A quota allocation may be leased by one producer to another with prior Board approval (recent ammendment to the General Order of 1983). However, the leasing of quota allocation has been a rare occurence. Information about rental prices is not available.

Quota is the property of the Board. Quota as such cannot be used as collateral, however the Board will give an understanding to a bank that the quota may not be transferred without their approval. Quota cannot be repossessed by a bank for default of payment. The willing of quota to an outside party has never been considered except that on the death of two husbands, the Board has transferred the quota to the respective widows.

F. Changes in Industry Structure

The prices of quota rights are determined in the open market. The Board has no record of prices.

There are currently 53 producers in the province. In 1977, there were 48 producers. Of the 53 current growers, 31 have come into the business in the last 10 years and 26 have left the industry.

The current average farm size is 230,233 kilograms (12,202,337 kgs./53). In 1977, the average farm size was 220,233 kilograms (10,585,136 kgs./48).

TURKEYS - ALBERTA

A. Background

The Alberta Turkey Growers' Marketing Board was formed in 1966. The main goal of the Board is to prevent further vertical integration in the Alberta turkey industry.

Quota is the property of the Board and has no value. Consequently, quota may not be bought, sold or leased. Quota can only be transferred through the purchase or lease of production facilities that have been assigned quota. The Board will allocate the corresponding quota to the registered producer who has purchased or leased the facilties.

Original quota allocation was based on placements during 1966. In order to maintain quota, a producer must be in production within 12 months from the date the quota was allotted or transferred to him. Furthermore, a registered producer who fails to market turkeys for 2 consecutive years will automatically lose his quota.

If a registered producer markets turkeys in excess of his marketing quota, the Board will reduce his subsequent marketings by an amount equal to the excess.

B. Quota Allocation Rules and Procedures

Quota is attached to specific production facilities. Upon the sale (or lease) of a production unit, the Board will allocate the attached quota to the purchasing (leasing) producer upon receipt of a $100 transfer fee payable by the seller. This fee is waived in the case of a family transfer.

In order to adjust annual production from year to year, the Board may vary the percentage of the production quota that producers may market.

Because there is excess demand for available turkey quota in Alberta, the Board maintains a list of existing producers arranged in order of priority from the smallest size producer to the largest. Increments of new quota are offered to existing producers in lots of 5,000 birds per year.

The maximum amount of marketing quota that a producer may hold is equivalent to 4 percent of the total provincial allocation. In 1983, the maximum level was 35,000 birds. Producers who exceeded the maximum at the time the Board was established are exceptions to the rule. These producers, however, may not receive further quota increments either through new allotments or through reallocation due to the purchase of production facilities with quota. Producers who market less than 300 turkeys per year are exempt from quota regulations.

Quota which has been re-allocated through the sale or lease of production facilities may not be transferred again for a period of 5 years. An existing producer who expanded by purchasing additional production facilites and who wishes to consolidate quota may do so by moving to a single facility in another location after producing at the original location for two years. Production facilities may be leased to another registered producer provided that the quota remains in the name of the owner.

If quota is divided between family members, only one family member may receive additional quota during the 5 year period immediately following the transfer. Once the 5 year period has passed, the family members involved in the transfer will be treated as individual producers.

C. New Entrant Programs

The objective of the new entrant program is to allow new growers to enter the industry. The Board obtains the quota for the program mainly from quota which has reverted to the Board because of non-use. The names of the applicants for turkey quota are ranked chronologically from the date the application was received by the Board. New quota is offered to applicants in lots no greater than 7,000 heavy turkeys per year or 12,000 broiler turkeys per year.

D. Allocation Rules Governing Changes in Total Quota Stock

Market requirements dictate system-wide variations in the total stock of quota. In the event of expansion of quota, 65 percent is made available to existing producers and 35 percent is offered to new entrants.

In order to accomodate anticipated demand, the Board may increase or decrease the production of turkeys by varying the percentage of the production quota that producers may market.

E. Ownership and Rental Of Quota

The Board retains ownership of quotas at all times. As such, quotas cannot be rented separate from production facilities or used as a collateral by a producer trying to finance a loan.

F. Changes in Industry Structure

There are currently 56 producers in the Alberta turkey industry. The number of producers has decreased since 1983 when there were 65 producers. The same level of output has been maintained since Board formation in 1966. At that time, however, there were approximately 350 producers in the industry.

The present average farm size for heavy turkeys in terms of marketing quota is approximately 174,500 kilograms while the average size for light breeds is approximately 147,000 kilograms.

TURKEYS - SASKATCHEWAN

A. Background

The main objective of the Saskatchewan Turkey Producers' Marketing Board, formed in 1967, is to negotiate on behalf of the producers the quantity to be produced and the market price to allow the efficient producer to receive a reasonable return on his investment over time. A secondary objective is to guide the direction and structure of the provincial industry in order to maintain the efficient family farm.

Quotas are the property of the Board with no direct monetary value. Consequently, quotas by themselves cannot be sold or purchased and can only be transferred through the purchase of a production unit.

Initial quota determination was based on the highest marketing level achieved by producers during the 2 years prior to Board formation.

In order to maintain quota, a grower must meet his assigned production limit during a given marketing period or else the unused portion of the quota will revert to the Board. Over-quota marketings levies and penalties are applied to producers as follows:

- Any producer who markets during a marketing period between 100 percent and 105 percent of the maximum amount allotted to him must reduce the amount marketed in a subsequent marketing period by the same amount by which he exceeded his allotment in the earlier period;

- any producer who markets during a marketing period more than 105 percent of the maximum amount allotted to him is assessed the same penalty as above for the first 5 percent in excess (between 100 percent and 105 percent) and, in addition must reduce the amount marketed in a subsequent marketing period by twice the amount by which he exceeded 105 percent of his allotment in the earlier period;
- and, finally, any producer who markets during a marketing period more than 100 percent of the maximum amount allotted to him for that period must pay to the Board 10 cents for each live pound (22 cents for each live kilogram) marketed in excess of the 100 percent.

B. Quota Allocation Rules and Procedures

There is excess demand for turkey quota in Saskatchewan. Existing licensed producers hold a base quota. The Board determines the individual and total amount of licensed producers' base quotas. Furthermore, the Board reserves the right to issue quotas and permits in unequal amounts based on categories of turkeys required to meet market demand.

The criteria used to decide who will receive quota and who will not are as follows:

- Smaller turkey producers, as determined by the Board, shall be given preference by the Board in the allocation of quotas;

- the applicant must be at least eighteen years of age;
- the applicant must be a resident of Saskatchewan;
- the applicant must be personally engaged in the management and daily operation of a production unit;
- and, finally, quota renewal for each registered and licensed producer is based on a formula established by the Board, taking into consideration his quota fulfillment of the previous quota marketing period.

The quota marketing period is a consecutive 12 month period. Existing licensed producers must apply for quota each year prior to the annual allocation of quotas. Quantities applied for are recorded on the current year's quota allocation sheet. Applications received from existing producers that satisfy the Board's requirements are listed according to the date received. When the Board is considering the allocation of quotas to existing producers, priority is given to those appearing uppermost on the list.

Family ties are not considered when issuing quota to new applicants except that provisions are made for the gradual take-over of a production unit and quota by an eligible spouse or child of a registered producer. Thereafter the applicant is entitled to operate the production unit in his or her own name and to submit an annual application for quota or quota increase.

Quotas are tied to specific land parcels. All quotas allotted by the Board relate to particular production units. The amount of quota allotted to a person in relation to a production unit can not exceed 453,597 kilograms or 1,000,000 pounds live weight of turkeys. Producers with less than 100 turkeys are exempt from quota regulations.

The applicant cannot negotiate or accept a loan or financial assistance for the purpose of building or purchasing a production unit from a source other than a recognized financial institution, the vendor or a related person.

A producer who has sold his production unit and left the turkey industry may not re-enter the industry through purchase of other facilities or partnership until a period of 5 years from the date of the sale has passed.

C. New Entrant Programs

The objective of the new entrant program is to ensure that the quantity and category of product is produced as the market demands. There is excess demand among producers wanting to obtain quota through a new entrant program. The waiting list of applicants has lengthened every year over the last 5-10 years. The number of applicants currently in the queue is sufficient to double present production.

There has not been any new quota issued to new applicants since 1978. There has been insufficient quota available over base to offer to new producers. However, there have been a number of new entrants via the production unit purchase method. There will not be any new or increased quotas allotted until all eligible licensed producers have been offered an amount equal to their base quota.

The Board's first priority is to increase efficiency of present producers and to improve the viability of the industry. As consumption increases, new entrants will follow. During the period between 1976 and 1982, an estimated 68 percent of quota awards went to new entrants.

D. Allocation Rules Governing Changes in Total Quota Stock

System-wide variations in the total stock of quota are due to variations in turkey consumption. If the provincial total allotment, as determined by the Canadian Turkey Marketing Agency, exceeds the total amount of licensed producers' base quotas, then there will not be any new or increased quotas offered until after 3 consecutive years of over-base quota being available. During those interval years, any available over-base allotment shall be offered to eligible licensed producers in equal amounts by way of an annual permit.

The new and increased quotas may not exceed the lowest amount of over-base quota that was available in any one of the previous 3 years. One third of the amount available shall be offered to eligible new applicants. The maximum amount to be offered to a new applicant shall be limited to 102,060 kilograms (250,000 pounds). One third of the amount available shall be offered in equal amounts to eligible smaller licensed producer applicants holding base quotas of less than 102,060 kilograms (250,000 pounds). Finally, one third of the amount available shall be offered in equal amounts to all eligible applicants holding base quotas of less than 453,000 kilograms (1,000,000 pounds).

In the event of a decrease in the total stock of quota, all producers are returned to base, then decreased pro-rata.

E. Ownership and Rental of Quota

Quotas remain the property of the Board at all times. Quotas cannot be rented, used as collateral nor willed to an outside party.

F. Changes in Industry Structure

In 1976, there were 34 licensed producers in the Saskatchewan turkey industry. In 1983, there were 22 producers. Two years later, in 1985, the number of producers increased to 23.

In 1985, the average farm had marketings of 4,661,000 live kilograms. In 1976, the average farm size was 3,686,00 live kilograms.

TURKEYS - MANITOBA

A. Background

The primary goal of the Manitoba Turkey Producers' Marketing Board is to maintain the family farm. The Board was established in 1969.

It is illegal to sell quota in Manitoba. Quotas are re-allocated by the Board and cannot be bought and sold as they do not belong to the producer.

Initial quota determination was based on the highest production level achieved during the period between 1966 and 1968.

There are both monetary and production penalties applied by the Board to producers who fail to maintain a required level of production. The necessary level of production is 100 percent of the allocation set by the Board. After 2 years of no production, the Board will take back the quota for re-allocation to other producers. If a producer markets turkey in excess of the assigned market quota, then the following year's quota is reduced by the amount of excess. If the over-marketing continues for a second year, then the penalty becomes a deduction of twice the amount of excess in the following year's allotment.

B. Quota Allocation Rules and Procedures

There are more requests for quota than available quota. At present, there is a waiting list for turkey quota of approximately 70 names.

Quotas are given to the oldest names on the list. However, at least 33 percent of the quotas must go to brand new producers. The remainder can then go to existing quota holders as long as they are not at the maximum limit.

The maximum turkey quota is 400,000 pounds per year. Basic quota is 60,000 pounds. However, if an existing producer is near his maximum quota allotment, these figures will be reduced so that the new quota and the existing quota do not go over the maximum amount. Producers with less than 100 turkeys are exempt from quota regulations.

The Board may re-allocate quota to a producer who has purchased production facilities with quota attached provided that the quota is not included in the value of the sale.

Quotas may not be re-located until a period of 2 years from the original allocation date has passed unless special permission has been granted by the Board.

C. New Entrant Programs

There is no special program for new entrants. The only provision is that 33 percent of new quota must go to new entrants.

There is excess demand for quota among producers waiting to expand or enter the industry. There is only one waiting list with approximately 70 names which includes new applicants and existing producers by date of application. At least 50 percent or more of the names on the list are new applicants. Because the existing producers are only at 95 percent of their allotment, no new quotas have been given out for many years.

D. Allocation Rules Governing Changes in Total Quota Stock

There have been very small amounts of system-wide turkey quota increases during the last 5-10 years. Any decreaes in the total stock of quota would be applied on pro-rata basis to all registered producers except those with less than 140,000 pounds per year of quota.

E. Ownership and Rental of Quota

Quota is the property of the Board and cannot be rented. A producer can rent barn space to raise the quota for a temporary period but quota itself cannot be rented. In addition, quota cannot be used as collateral by a producer trying to finance a loan nor willed to an outside party.

F. Changes in Industry Structure

The current number of turkey producers is 85. In 1976, there were 82 producers.

The current average farm production unit is 115,000 kilograms live weight of turkey.

TURKEYS - ONTARIO

A. Background

The main goal of the Ontario Turkey Producers' Marketing Board is to guide the direction and structure of the provincial industry. The Board was formed in 1965 and given power to allocate quota in 1969.

Quota is freely transferable among producers who own suitable buildings and equipment used for turkey production.

Initial quota determination for tonnage of turkey was based on the highest level of production achieved during the years of 1966, 1967, and 1968.

In order to maintain quota, a grower must produce at least 75 percent of his production allocation in a consecutive 2 year period. The penalty applied by the Board to producers who fail to maintain the required level of production is the cancellation of quota. Over-production of an individual's quota attracts the same provincial penalty that the province pays if they over-market.

B. Quota Purchase Rules and Procedures

The only source for quota is the free market. Purchases of quotas are private deals, often with Brokers. However, the parties must come to the Board for the actual transfer. Board approval is not automatic.

The Board can veto a sale between two consenting parties if the restrictions applied to the purchaser concerning total size and facilities are not met. According to the size restriction, the total combined holdings of basic quota through partnership, marriage, or corporate structure by lease or purchase arrangements cannot exceed 907,200 kilos, live weight, of turkeys per annum. The restriction concerning facilities states that no quota may be awarded unless the applicant owns suitable buildings and equipment used in turkey production. Furthermore, producers may not lease or produce turkeys in unlicensed facilities except in exceptional circumstances (e.g., a fire).

The minimum amount of quota that can be purchased is 1,000 pounds. The maximum amount is 2,000,000 pounds.

It is not necessary for the quota to be transfered in its entirety. Part transfer is acceptable. Furthermore, there are no regional within-province restrictions on quota transfers. A producer can move the operation to another production region within the province.

The different types of quota which can be bought are "broiler quota" and "tonnage quota" where broilers are 110 days old or less and tonnage are over 110 days old. Tonnage quota is tied to specific land parcels, while broiler quota is tied to land and buildings.

C. New Entrant Programs

There are no new entrant programs. New producers must enter the industry by purchasing quota from an existing producer.

D. Allocation Rules Governing Changes in Total Quota Stock

There has not been any change in total basic turkey quota in Ontario for nearly a decade. Producers in Ontario are still issued annual production allocations at approximately 65 percent of basic quota held. According to the Board, the producers in Ontario are not (in effect) growing more turkeys now than were grown 20 years ago.

E. Ownership and Rental of Quota

Quota cannot be rented. The Board believes that they would be unable to control concentration of production if rental of quota was allowed.

Producers own all quota. Consequently, quota can be used as collateral by a producer trying to finance a loan and it can be willed to an outside party. Quota can also be repossessed by a bank for default of payment.

F. Changes in Industry Structure

In 1985, there were 159 registered producers. In 1980, there were 180 registered producers. In 1975, there were 220.

Due to the smaller number of producers, current average size of 1,056,000 basic pounds of quota has increased slightly.

TURKEYS - QUEBEC

A. Background

The objectives of the Federation of Quebec Poultry Producers, which originated in 1966, are to maintain the family farm structure in the industry, to slow the trend towards vertical integration, to improve production efficiency, and finally, to provide producers with a reasonable price for their product. The Federation has the power to regulate the production and marketing of all poultry which includes broiler chickens, roaster chickens, cornish, broiler turkeys, and heavy turkeys. In this section, only turkey quotas will be discussed. The regulations concerning chicken quotas are described in a separate section.

Quota is freely traded upon negotiation between buyers and sellers. As of 1980, only individual farmers and family farm corporations have been permitted to purchase turkey quota. Other corporations and partnerships are excluded in an effort to reverse the trend towards concentration of production with a small number of corporate holdings. Effective in January 1984, all quota transfers must take place within the system of public auctions.

Original quota allocation was based on the available production capacity of each producer. One unit of quota was awarded for every square meter of floor space. Due to excess production capacity, new quotas were no longer awarded after

1973. At present, specific quota production provisions stipulate both the number of square meters per bird and the eligible weight per square meter within the facilities.

In order to maintain quota, a producer must deliver turkey during each production cycle equal to at least 100 percent of the maximum weight specified in the market quota for each of the production cycles during that year. The penalties for over-deliveries are as follows:

- broiler turkey deliveries in the first or second period of the year that exceed allowable weight levels by under 10 percent result in a reduction of turkey deliveries in the subsequent period by the amount of the excess weight;
- broiler turkey deliveries in the first or second period of the year that exceed allowable weight levels by over 10 percent result in a reduction of turkey deliveries in the subsequent period by the amount of the excess weight and a fine of 5 cents on each excess pound;
- broiler deliveries which exeed the level set for the third marketing period result in a reduction of turkey deliveries in the third period of the following production year and a fine of 5 cents on each excess pound;
- and, finally, large turkey deliveries that exceed allowable weight levels result in a reduction of turkey deliveries in the following calendar year equal to the amount in excess and a 5 cents fine on each excess pound.

B. Quota Purchase Rules and Procedures

Quota is purchased through advertised public auctions. In order to slow the trend towards vertical integration, regulations have been enacted preventing anyone but farmers and family farm corporations from further turkey quota acquisition.

An ongoing operation is not a necessary requirement for purchasing quota but the transferee must prove to the Federation that he is the leasee or owner of production facilities that are equal in space to at least 40 percent (for broiler and heavy turkeys in confinement) or 10 percent (for heavy turkeys on range) or 65 percent (for breeder turkeys) of the production facilities intended for use upon receipt of the quota.

The maximum amount of turkey quota that may be held is 150,000 square feet (13,935 square meters). The amount of quota needed to be eligible for membership with the Federation is 300 square meters for existing producers, and 100 square meters for new producers.

In addition to the restrictions mentioned above concerning the exclusion of non family farm corporations and those producers who do not own or lease production facilities equal to a certain percentage of the quota being purchased, there are also restrictions concerning the movement of quota between different areas.

There are three administrative areas under the Federation concerning poultry quota regulations in Quebec. Quota may move freely from region to region within an administration area but it may not be traded between areas. In other words, even if a producer lives outside the area in which he has purchased quota, he must still produce in the area where the quota was purchased. Also, in order to be eligible to transfer quota, a producer must have held and used quota for at least 12 consecutive months.

Under the new public auction system, auctions for quotas are held 4 times a year in each of the 3 administrative areas under the Federation. The specific dates within each of the four auction months (January, April, July, and October) are advertised in the producer newsletter 30 days in advance. Also advertised for each area are the total number of square meters of quota to be offered and the expected starting bid price for quota. A producer may offer all or part of his quota holdings at an auction as long as the amount offered is at least 50 square meters. Consequently, buyers may purchase no less than 50 square meters per bid. The maximum amount of quota that may be accumulated in order to begin production is 300 square meters.

There is a levy of $5.00 per 100 square meters of quota sold through the auction market to be paid by the seller. A seller may withdraw his quota from the market if he decides that the highest bid price offered throughout the course of the auction is still too low. In this case, the seller must pay a fee of $1.00 for every square meter of quota that was withdrawn.

The seller does not immediately receive the entire payment for quota sold at the auction. Instead, the payment is divided between an interest bearing trust account (10 percent) administered by the Federation on behalf of the seller and direct payment to the seller (90 percent). The 10 percent portion of the quota transfer is retained by the Federation so that the seller's production record may be reviewed. The buyer of the quota is then protected in the event that the quota still carries with it unpaid over-production penalties. If no violations are discovered within a two year review period, the 10 percent portion is returned to the seller along with the accumulated interest.

The Federation may veto a sale between two consenting parties if the restrictions on quota transfers have been violated. The Federation also has the right to adjust production levels for producers within their production cycles based on the amount of shipments required and the maximum number of birds to be delivered. There are ususally three cycles per year for broiler turkey production and only one cycle per year for heavy turkey production.

C. New Entrant Programs

There are no specific programs for new entrants in the Quebec turkey industry. New quotas have not been assigned by the Federation since 1978. In order to gain entry to the industry, a producer must conform to the restrictions outlined above and purchase quota through the public auction system.

D. Allocation Rules Governing Changes in Total Quota Stock

In the event of an increase or decrease in Quebec's share of the global turkey quota, the amount of allowable deliveries for each production cycle (number and weight of turkeys before slaughter) is adjusted accordingly for all individual producers and family farm corporations.

E. Rental and Ownership of Quota

Quota may be rented as long as both parties involved in the transaction already own quota. Quota may be rented separately from production facilties for a period of one cycle up to a maximum of two years. Production resulting from the rental of quota must occur within the area of origin for the quota in question. The rental arrangement may be renewed at the end of two years given Federation approval.

Ownership of quota is transferred to the producer once the quota is sold. It is not unusual for Banks in Quebec to become involved in financing quota purchases. Quota may be pledged as a guarantee of a loan. Consequently, a producer must have written permission from the lending institution before offering the quota for sale.

F. Changes in Industry Structure

In 1971, there were 800 producers in the Quebec turkey industry. In 1983, the number of producers in the industry was 400 and in 1985, the number of producers continued to fall to

212.

The average farm size in the Quebec turkey industry in 1983 was approximately 2,000 square meters of marketing quota.

TURKEYS - NOVA SCOTIA

A. Background

The main objective of the Nova Scotia Turkey Marketing Board is to increase production to a level of 80 percent self-sufficiency within the province. At present, only about 45 percent of the province's requirements can be met with local production. The situation in Nova Scotia is unique in that they have the highest consumption per capita of turkey meat in Canada and the second lowest per capita production.

Turkey quotas in Nova Scotia have no monetary value and, as such, cannot be sold or purchased. The transfer of quota between producers is allowed if the production facilities are also purchased and continued in operation for at least 5 years.

The Board may cancel quota allotted to a producer if the producer remains out of production for up to 2 consecutive growing cycles.

B. Quota Allocation Rules and Procedures

Producers must apply to the Board in order to transfer quota. No transfer of quota between producers shall be approved by the Board unless the transferor has held the quota allotment in question for at least 5 years prior to the application for transfer. Furthermore, the transfer of quota between producers is only allowed if the facility (buildings) are also purchased and continued in operation for at least 5 years.

The maximum quota that can be held by one producer is 428,400 live kilograms. The minimum amount of quota that can be transfered depends on the size of the facilities being sold.

In order to prevent vertical integration within the industry, the Board only allows quota to be held by or allotted to bona fide producers who are not directly or indirectly involved in the processing, hatchery, feed manufacturing, or distribution sectors of the poultry industry.

The Board may allot quota to a producer who is leasing land and buildings for the purpose of using them for the exclusive production of turkeys. The quota may then be withdrawn by the Board if the producer does not acquire full ownership of the facilities within 3 years of the quota allotment date. A producer who neither leases nor owns facilities may still be allotted quota provided production facilities are obtained within 6 months of the allotment date.

C. New Entrant Programs

The objective of a new entrant program would be to allow new producers to enter the industry. However, because there is not sufficient quota to meet the requirements of the existing producers, the Board has not been in the position to allocate quota to new producers.

There is excess demand among producers wanting to obtain quota through a new entrant program. There are 30 applicants currently in the queue. It appears that in 1987 one new entrant will be allowed into the industry.

D. Allocation Rules Governing Changes in Total Quota Stock

In the event of an increase in the total stock of quota, 100 percent of the increase would be allocated to existing producers. In addition, 5 percent of any Over-Base allocation is placed in a "New Turkey Producer Quota Bank" until there is sufficient quota available to allocate to new producers.

In 1986, the 3 smallest independent producers were granted additional Over-Base Quota to make their operations more viable. The balance of the Over-Base allocation was distributed equally among the remaining producers.

It is possible to have a system-wide decrease in the total stock of quota. In 1985, when Nova Scotia was below their Base, each producer had his production decreased on a pro-rata basis.

E. Ownership and Rental of Quota

Quotas are owned by the producers and quota can be rented. This method is seldom used and if so only for a temporary period as each producer is attempting to produce as close to his allocation as possible. No fee is levied on a temporary transfer.

Quota cannot be used as collateral by a producer trying to finance a loan nor can it be be repossessed by a bank for default of payment. However, quota can be willed to an outside party if facilities for growing are also included. Otherwise, the quota reverts to the Board.

F. Changes in Industry Structure

There are 11 producers currently in the Nova Scotia turkey industry. This number has remained stable during the last 10 years.

EGGS

Summary of Rules and Statistics - Eggs

	B.C.	ALTA.	SASK.	MAN.	ONT.	QUE.	N.B.	N.S.	P.E.I.	NFLD.
Ownership of Quota	Board	Board	Board	Board	Board	Producers		Producers	Board	Board
Entry	Buy Quota with Board Consent	Buy Farm and Board Alloc.	Buy Farm and Board Alloc.	Buy Farm and Board Alloc.	Buy Quota	Buy Quota		Buy Quota with Board Consent	Board Alloc.	Buy Farm and Board Alloc.
Quota Rental	No	No	Yes w/ Farm	Yes w/ Farm	Yes	Yes		Yes	No	No
Quota Maximum	1,213,356 birds	23,000 birds	30,000 birds	25,000 birds	30,000 birds	50,000 birds		50,000 birds	15,000 birds	25,200 birds
Average Farm Size	14,619 birds (1986)	6,100 birds (1986)	7,200 birds (1983)	9,622 birds (1985)	10,000 birds (1983)	15,949 birds (1985)		17,000 birds (1986)	2,500 birds (1986)	11,200 birds (1986)
Number of Producers	180 (1983); 166 (1986)	580 (1976); 243 (1986)	100 (1983); 90 (1985)	246 (1981); 240 (1986)	817 (1983); 800 (1985)	277 (1980); 201 (1985)		64 (1976); 46 (1986)	*** *** 32 (1986)	43 (1976); 39 (1986)

PROVINCIAL QUOTA ALLOCATIONS, 1985
EGGS

Province	Quota	Market Share %	Number of Producers
	('000s of dozens)		
B.C.	54,883	11.988	166
ALTA.	39,634	8.657	246
SASK.	21,676	4.734	90
MAN.	51,947	11.347	239
ONT.	173,768	37.956	800
QUE.	75,393	16.468	170
N.B.	9,386	2.050	25
N.S.	18,697	4.084	46
P.E.I.	3,273	.715	31
NFLD.	9,163	2.001	35
CANADA TOTAL	457,820	100	1,848

Source: Annual Report, 1985-86. National Farm Products Marketing Council, p. 10.

EGGS - BRITISH COLUMBIA

A. Background

The British Columbia Egg Marketing Board was formed in 1967. The objectives of the Board are to provide stability in production, returns and the price to producers in addition to maintaining a reasonable price for consumers.

Quotas are the property of the Board but may be traded freely with or without the production unit. Written consent of the Board is a pre-requisite for all quota transfers.

Initial quota determination was based on flock size during the six months prior to Board formation in 1967. Output per farm was originally specified in terms of numbers of eggs per week. Since 1977, quota has been expressed as the allowable number of laying hens that may be kept or maintained by a registered producer.

In order to maintain quota, production cannot be stopped for more than 180 consecutive days. If quota is unused for this time period, the Board may cancel or re-issue the unused portion. A levy of 8 cents per bird is imposed on registered producers who keep layers in excess of the maximum for each day the violation occurs.

B. Quota Purchase Rules and Procedures

Quotas are issued annually to all registered producers in good standing with the Board. Prior written consent of the Board is required for all quota transfers.

When considering an application for the purchase of quota, the Board shall take into account the experience in the egg industry of the applicant concerned and the conditions under which the applicant proposes to finance the egg production unit. An interview by the Board may be required of the applicant.

The maximum amount of quota that may be held is 1,213,356 birds which is 5 percent of all provincial quotas issued. Those farms which were in excess of this limit prior to March 1968 are excluded from this maximum restriction. A producer may keep up to 99 layers without getting a license.

There is a re-entry restriction in that no registered producer who has transferred or sold any of the quota held by him is eligible to be a transferee during the two-year period immediately following. Furthermore, once quota has been purchased, the transferee may not transfer or sell, separate from the egg production unit, all or any part of the quota just purchased by him for a period of two consecutive years.

In addition to the re-entry and re-transfer restrictions, there is also a restriction preventing vertical integration within the British Columbia egg industry. The Board may decline to approve the transfer or sale of quota to a person who, either directly or indirectly, has financial interests in the egg industry or a trade allied to egg production.

All quotas are freely transferable across regions except that no quota offered for sale in the Interior or Vancouver Island may be transferred to the Lower Mainland.

C. New Entrant Programs

There are no specific new entrant programs in the British Columbia egg industry. In order to enter the industry, producers must purchase quota from existing growers.

D. Allocation Rules Governing Changes in Total Quota Stock

In the event of increases or decreases in the total stock quota, producers' quotas would be adjusted on a pro rata basis. There are no existing provisions for allocating a portion of future increases in provincial quota to new entrants.

E. Ownership and Rental of Quota

Quotas remain at all times the property of the Board. Quota cannot be rented.

Quota can be used as collateral by a producer trying to finance a loan. If a bank forecloses on a producer's loan, current regulations stipulate that the bank may receive the returns from the sale of the production unit and related quota in cooperation with the Board.

F. Changes in Industry Structure

There are 166 producers currently in the industry. In 1983, there were 180 producers in the industry. The present average farm size in the industry is 14,619 layers.

EGGS - ALBERTA

A. Background

The objectives of the Alberta Egg and Fowl Marketing Board, formed in 1968, are to establish quotas, to maintain a fair, stabilized price for eggs, to develop and maintain the orderly marketing of eggs, to provide higher quality eggs for the market, and, finally to maintain adequate advertising and promotion of eggs. In achieving these goals, the Board also tries to maintain the family farm.

Egg quota itself is not a saleable item but a producer may purchase an existing farm with quota attached to it and the Board will reissue the quota to the purchaser. The quota may not have a value attached to it and must be transferred in its entirety. All quota is tied to production facilities on specific land parcels.

Initial quota determination was based on the marketings of eggs during the best consecutive twelve month period between September 17, 1965 and September 16, 1968. Marketing quota was originally expressed in dozens of eggs per year but since 1979, it has been expressed in terms of the number of layers per year.

In order to maintain quota, producers must report yearly marketings of eggs equal to 21 dozen eggs times the number of layers specified in their quota allocation. The penalty for failing to maintain this level is a quota reduction in the following year by the amount of the shortfall. The retracted quota will then revert to the Board for reallocation.

B. Quota Allocation Rules and Procedures

All egg quota in Alberta belongs to the Board. It is not allowed to be bought or sold. However, a producer may purchase an existing farm with quota attached to it and the Board will reissue the entire quota to the new producer. The Board will review the documents concerning the sale of the farm to ensure that a value is not placed on the quota.

There is excess demand for egg quota in Alberta so the main restriction limiting quota allocation is the availability of quota. When new quota is available, the last time was in 1979, 80 percent is allocated to existing quota holders and 20 percent is allocated to new producers. Allocation of quota is based on date of application not on production performance in a previous period.

The Board reserves the right to allocate quota to those on the waiting list in amounts less than that requested on the application form. By awarding less than the requested amounts, the Board can allocate quota to those applicants futher down the waiting list. An applicant may decline to accept a reduced offer of quota and still maintain the same place in the waiting list.

The maximum amount of quota that a producer may own is 1.5 percent of the provincial quota which is equal to approximately 23,000 birds (excepting "grandfather clause" units). Existing producers applying for more quota may only receive allocation increments of up to 5,000 birds every 3 years. There is no minimum application for increased quota allocation. Producers with less than 300 birds are exempt from quota regulations.

A farmer can move the operation to another production region within the province provided he has operated the farm for at least 3 years. In order to transfer the quota, a set fee of $250 must be paid to the Board by the seller of the production facilities.

C. New Entrant Programs

The objective of the new entrant program is to allow new producers into the business. The Board Manager has stated in reference to the new entrant program that "we are not operating a closed shop."

Regardless of these objectives, applicants are currently told there is a 100-150 year waiting list for those waiting to enter the industry. There are approximately 150 to 200 applicants waiting in the queue for entry into the industry. No one has entered the industry during the last 10 years on a new entrant program.

The amount of quota allocated to each new applicant is based on what the applicant has applied for up to a maximum of 10,000 birds. The last time new quota was issued was in 1979. Since 1980, there have been quota cutbacks. At present, egg producers in Alberta are operating at 88 percent of their quota allocation level.

D. Allocation Rules Governing Changes in Total Quota Stock

Increase in national consumption of eggs would lead to increases in total stock of quota with 80 percent of the increase allocated to existing producers and 20 percent allocated to new entrants. In the case of a system-wide decrease in the total stock of quota, there would be pro-rata cutbacks applied to all producers.

E. Ownership and Rental of Quota

All egg quota in Alberta belongs to the Board and may not be purchased, sold or rented. Rental is prohibited because quota may not have a value attached to it.

Quota may not be willed to another party or used as collateral by a producer trying to finance a loan.

F. Changes in Industry Structure

There are currently 243 producers in the industry. Approximately 10 years ago, there were 580 producers.

The current average farm size is 6,100 birds. This is up from the 4,000 bird average 10 years ago.

EGGS - SASKATCHEWAN

A. Background

The Saskatchewan Commercial Egg Producers Marketing Board was formed in 1969. The objectives of the Board are to regulate the production and marketing of eggs in Saskatchewan while ensuring horizontal equity among producers and maintaining the family farm.

Since 1975, quota has not been permitted to carry monetary value. Quotas are attached to specific production units and are allocated by the Board to new and existing producers according to their position on a waiting list.

Initial quota determination was based on production levels achieved during the 18 months immediately preceding the Board's formation.

If a producer holds layers in excess of the amount specified in his quota, he will be subject to a fine of $1.00 per extra layer per month.

B. Quota Allocation Rules and Procedures

Quotas are attached to specific production units and may be transferred between producers through the sale of the production facilities provided there is no value attached to the quota.

The Board may allocate the quota of a former producer to an area within the province that is in need of more eggs instead of allocating the available quota to the highest name on the waiting list.

The maximum amount of quota that a producer may hold is 30,000 layers. A producer with less than 300 layers is exempt from quota regulations.

A producer may not obtain a loan for the purpose of purchasing a production unit with quota from a person or company with financial interests in the Saskatchewan egg industry.

Quota may not be re-transferred through sale or lease until a period of 5 years has passed from the date of the original allocation. It is possible for the purchaser to apply to the Board for the right to move production to another location after 3 years have passed at the original location.

C. New Entrant Programs

The Board maintains a list of all producers waiting to gain entry into the industry and those waiting for quota increases arranged according to the date of application.

New entrants receive at least 10 percent of the available quota in lots of 5,000 birds at a time with priority given to those highest on the waiting list. Available quota is allocated to existing producers with priority given to those producers with less than 5000 layers.

D. Allocation Rules Governing Changes in Total Quota Stock

In 1983, the industry was operating at 92 percent of the basic production quota. Therefore, all increases in the total stock of quota will be allocated to existing producers so that 100 percent of the basic production quota may be re-gained.

E. Ownership and Rental of Quota

All quotas are the property of the Board. Rental of quota is possible only through the lease of production facilities with quota.

F. Changes in Industry Structure

In 1969 when the Board was formed, there were 260 egg producers in Saskatchewan. In 1983, there were 100 growers and in 1985, there were only 90 growers.

In 1969, the average quota holding per grower was 2,885 birds. The average quota holding per grower in 1983 was 7,200 birds.

EGGS - MANITOBA

A. Background

The purpose of the Manitoba Egg Producers' Marketing Board, formed in 1971, is to provide for the effective control, regulation, and promotion of eggs in Manitoba. The Board's main responsibility is to the egg producer, but they recognize that this involves all aspects of the industry - ha~~c~~tcheries, pullets, feed, grading stations, consumers, and government.

Manitoba has adhered to a policy of no value for quota since the inception of the marketing plan in 1971. Quota cannot be purchased or sold as it is the property of the Board. The right to a quota allotted by the Board is not negotiable, and no producer may sell or receive payment for the quota. Quota can only be acquired through the purchase of land, buildings, and equipment.

Initial quota determination was based on historical production and production facilities during the period between August 1969 to August 1971.

In order to maintain quota, a producer must follow the orders and regulations set down in the "Plan" and "Quota Order". This covers areas such as facility standards, egg quality, permission to allow Board staff to examine the facility, levy payment, remaining within quota for number of birds, and completing Board reports. Different policies apply but a producer can lose all or a portion of his quota for non-compliance.

Furthermore, if a producer fails to market a quantity of eggs equal to his annual utilization target in any calendar year, for 3 consecutive years, the quota allotted to such producer may be cancelled by the Board. In order to maintain quota, a producer must produce 90 percent of 20.5 dozen and submit levies for the same, for each bird of quota he is allotted. The figure of 90 percent is being raised to 95 percent effective January 1, 1987. If a producer fails to do so, he may lose a portion of his quota.

There are also penalties applied to producers for over-production. Producers are fined if they have an excess of birds above the amount allotted with the quota. There is no limit on the production from each hen within the quota.

B. Quota Allocation Rules and Procedures

Quota can only be acquired through the purchase of land, buildings, and equipment. The quota is transferred to a purchaser via Board approval. The purchaser's only requirements are that he raise the capital to buy the farm, and that he be a bonafide egg producer. The latter requirement is an attempt to stop the threat of vertical integration or control of a major portion of the industry by one individual or company. Each barn is certified after the sale, and prior to the quota transfer, to ensure that adequate space requirements for the birds exist, and that the barn has cooling facilities for the eggs.

The only way to purchase a farm with quota is to buy an existing operation. There is no minimum size, depending on the farm size when the marketing plan was established. Manitoba has farm sizes from 700 to 50,000 birds. The maximum amount of quota a person can acquire is 25,000 birds. The only exception is for units which were above this size at the inception of the plan.

Normally, the whole farm and quota are transferred. Exceptions could be within a family or a layer unit of more than one barn, provided it is possible to separate the assets. There are no regional within-province restrictions on quota movement. Furthermore, there are no taxes or levies on quota transfers.

Farm purchases are arranged through normal channels such as real estate firms, and between neighbors. Because value cannot be attributed to quota in Manitoba, each quota transfer request must be accompanied by a qualified appraisal of all assets purchased to assure there is no value attached to the quota. The Board can veto a sale between two consenting parties if there is value being paid for quota or if the purchaser is not a bonafide producer.

Quota can be leased on a temporary basis. Again, the lease is associated with a facility and an appraisal is required to insure there is no quota value in the lease.

There are more requests for quota than available quota. The egg industry is not growing faster than production increases, meaning entrance is gained only by the purchase of an existing unit. Consumption has kept pace with production increases but the number of hens is not increasing.

To this point in the plan, there has not been available quota for applicants other than via lease or purchase of an exisitng unit. Temporary quotas have been granted on occasion to utilize provincial allotments if a producer is temporarily out of business (e.g., due to the installation of new equipment).

C. New Entrant Programs

The objective of a new entrant program would be to provide an avenue for new producers to become a part of the industry.

There is no list in Manitoba for new producers. Existing producers are operating at approximately 70 percent of their quota capacity and the potential for new producers has not been present. Birds have shown tremendous production increases (from 17-18 dozen per bird in 1971 to current levels of 22-23 dozen per bird per year), which have more than offset consumption increases. Thus, the new entrant program has not been possible up to this point.

New producers have entered the industry via the purchase of an existing facility. In the last ten years, Manitoba has averaged nine "non in-family" quota transfers per year. The majority of these were to new producers. These figures are based on a total producer list of 240 producers in Manitoba.

New quota can only be obtained if a producer loses his quota for some reason and it returns to the Board, or growth in the industry allows increased provincial allocations.

D. Allocation Rules Governing Changes in Total Quota Stock

Increases in the total stock of quota are due to the increased consumption of eggs or to the development of new markets for eggs.

Quota increases to bring existing producers up to base are allocated on a percentage basis. This has also applied to the quota reductions that have occurred in the past.

If the number of laying hens the Board estimates will be required to meet market demand for eggs in Manitoba at any point in time exceeds the total of all basic quotas allotted to registered producers by the Board (i.e., an "Overbase" situation), then new quota would be distributed as outlined below. The laying hen quota of each registered producer shall be equal to his basic quota, plus any amount of the Overbase allocated to him in accordance with the following procedure:

- approximately one-third of the Overbase will be allotted as basic quota and an equal laying hen quota to persons who are not registered producers at that time and who have applied for registration and certification of a facility and the allotment of a quota provided no person shall be entitled to a quota in excess of 10,000 laying hens;
- the balance of the Overbase (two-thirds) will be allotted as

basic quota and an equal laying hen quota, in units not to exceed 5,000 laying hens, to registered producers with a basic quota of less than 20,000 laying hens who have applied for an increase in their basic quota, in the order in which such applications were received by the Board, provided that no producer shall be allotted an increase in his basic quota or laying hen quota to a level in excess of 20,000 laying hens;

- the balance of the Overbase (if there is any) will be allotted by the Board to registered producers who have applied for an increase in their quota in the order in which applications were received by the Board.

There is also a temporary quota. Any registered producer whose laying hen quota is less than his basic quota may apply to the Board for a temporary laying hen quota. Temporary quotas will be issued by the Board if it is estimated that Manitoba producers will not be able to achieve global allotment during any particular point in time. These temporary quotas are for a term of between 12 and 15 months in an amount not to exceed, in aggreate, such anticipated shortfall.

Reductions in quota have occurred in the last 10 years with no increases to the present time.

E. Ownership and Rental of Quota

The Board retains ownership of quota at all times. Quota cannot be used as collateral by a producer trying to finance a loan.

A farm can be repossessed by the bank but the attached quota would still belong to the Board. It would then be up to the Board to transfer the quota to another producer.

Quota cannot be willed to an outside party. The farm could be willed but the Board would have the responsibility of transferring the quota.

Quota can be rented because a farm can be rented. The quota can be transferred to the lessee by the Board for the term of the lease. However, the Board must approve each lease to insure there is no quota value in the lease.

Farm lease is primarily used because of health reasons or by a seller who is undecided about when to sell for a number of reasons. Less than 10% of farms are leased and a very small number are for an extended period of time. Farm lease prices are about $2 per bird per year which includes all normal uses of the poultry facility. This is about 10% of the cost to purchase the unit of land, buildings, and equipment.

F. Changes in Industry Structure

The current number of producers in the industry is 240. In 1981, there were 246 producers and in 1976, there were 267 producers.

The current average farm size in the industry in 1985 was 9,622 birds. In 1983, the average farm size was 8,800 birds.

EGGS - ONTARIO

A. Background

The Ontario Egg Producers' Marketing Board was formed in 1973. The main goals of the Board are to provide a reasonable rate of return to producers and to maintain reseasonable product prices for consumers.

Initial quota determination was based on marketings achieved during the period between January 1969 and April 1972.

Quota is the property of the Board but may be traded freely between producers. The price of quota is determined solely by the market.

A producer who ceases to market eggs for a period of 60 days may have his quota cancelled by the Board.

B. Quota Purchase Rules and Procedures

Quota is traded freely between producers and is not attached to production facilities. There are 13 zones relating to the administration of quota.

In order to sell quota within the same zone, a producer must advertise for 30 days in the Board's newsletter. If a producer is interested in selling the quota to another zone, he must advertise for 90 days.

The Board reserves the right to buy 10 percent of each lot of quota transferred between producers. In 1983, the rate paid by the Board for the quota was $10.00 per bird.

The maximum amount of quota that an individual may hold is 30,000 birds. A producer who buys quota for the first time may not buy more than 2,500 birds. Producers with less than 100 birds are exempt from quota regulations.

Quota that is transferred with the production facilities may not be transferred again for a period of 3 years.

C. New Entrant Programs

There are no new entrant programs in the Ontario egg industry. A new producer may enter the industry by purchasing quota either from the Board or from another producer.

D. Allocation Rules Governing Changes in Total Quota Stock

Variations in the total stock of quota would lead to pro rata adjustments of all individual producer quotas.

E. Ownership and Rental of Quota

Quotas are the property of the Board. It is possible for a producer to lease up to 10 percent of his production quota for a period of 12 to 15 months. The lease may be renewed with Board approval. Producers who have not leased their quota prior to 1979, may lease out more than 10 percent of their quota for a period of 12 to 30 months. Upon termination of the quota lease, producers must produce at least 90 percent of their quota for a period of 24 months. If a producer fails to maintain this level of production after leasing quota, he will be required to sell all of his quota to the Board.

F. Changes in Industry Structure

In 1983, there were 817 producers in the Ontario egg industry. In 1985, there were 800 producers. The average farm size in 1983 was approximately 10,000 birds.

EGGS - QUEBEC

A. Background

The Federation of Consumer Egg Producers of Quebec was formed in 1964. The primary goal of the Federation is to maintain the family farm. Secondary goals are to guide the direction and structure of the provincial industry and to enable producers to cover costs of production.

Quota may be freely traded with or without production facilities.

Initial quota determination was based on historical production levels prior to the establishment of the quota system under the Federation.

A producer must produce 100 percent of his quota (i.e., the amount of hens specified in the quota x 20.5 dozens of eggs) in order to maintain quota. If a producer holds hens in excess of the amount allowed through his quota, he must pay a penalty for all the eggs produced by the extra hens.

B. Quota Purchase Rules and Procedures

Quota may be transferred independently without other assets. Federation approval is necessary for all quota transfers. A producer who wishes to offer part or all his quota for sale must notify the Federation in writing with the amount to be offered. The Federation then contacts all the producers in the same zone to let them know the name of the seller and the amount for sale. The prospective buyers then have 30 days to negotiate a transfer. If the seller does not receive any acceptable offers within the 30 day time limit, he may then offer the quota for sale to producers anywhere within Quebec.

Producers who have purchased quota must submit a request for a transfer of quota within 15 days of the transaction in order for the transfer to be effective. Failure to obtain Board approval may result in the quota being allocated to a quota bank. Furthermore, purhasers of quota must begin production within 6 months after the Federation has granted approval for the transfer. The purchaser may not sell any part of the new quota until it has been in production for at least 24 months.

The maximum amount of quota that can be held is 50,000 hens. The minimum amount that a new producer may purchase is 2,500 hens.

C. New Entrant Programs

There are no new entrant programs for egg producers in Quebec. In order to enter the industry, new producers must purchase quota from existing producers.

D. Allocation Rules Governing Changes in Total Quota Stock

In the event of an increase in the total stock of quota, 100 percent of the increase would be allocated to existing producers on a pro-rata basis. Producers can anticipate these changes because the Canadian Egg Marketing Agency has aggreed to notify the Federation at least 6 months before making any change in the total stock of quota.

E. Ownership and Rental of Quota

All quotas belong to the producers. Ownership of the quota is transferred to the buyer from the seller when the quota is sold. Quotas can be rented. The rental prices are approximately one tenth of quota purchase prices. The Federation does not collect any portion of the rental fee.

Quota can be used as collateral by a producer trying to finance a loan. A bank cannot repossess quota for default of payment but it can sell the quota to another producer. Quota can also be willed to an outside party.

F. Changes in Industry Structure

According to the Federation, the value of quota per bird in 1985 was $25.00. Five years earlier, in 1980, the quota price per bird was between $11.50 and $12.00.

The number of producers with 250 birds or more in the Quebec egg industry in 1985 was 201. In 1980, there were 277 producers.

While the number of producers has decreased over the last five years, the average farm size has increased. In 1980, the average farm size was 12,764 birds. In 1985, the average farm size was higher at 15,949 birds.

EGGS - NOVA SCOTIA

A. Background

The main goal of the Nova Scotia Egg and Pullet Producers' Marketing Board is to guide the direction and structure of the Nova Scotia egg industry.

Quota is traded freely with or without facilities. Board approval is necessary for all quota transfers.

There is no penalty applied to producers who fail to maintain a required level of production. There are penalties applied to producers for over-production aside from national over-quota levies. A quota-holder who has at any time more layers housed in his facilities than the number permitted by the quota must pay the Board an over-quota penalty of $1.00 per layer over quota for each week during which the excess occurs.

B. Quota Purchase Rules and Procedures

The transfer of quota from one person to another is permitted with the written approval of the Board. A producer who wishes to sell or otherwise transfer his quota with or without facilities must apply to the Board for approval stating the amount of quota to be transfered and the addresses or location of the facilities to which the transfer is proposed.

Board approval is not automatic. The Board can veto a sale between two consenting parties.

No producer may acquire quota or any interest in quota of more than 50,000 layers. A producer who had basic quota in excess of 50,000 layers due to measurement of his facilities at the time of the inception of the plan shall be permitted to hold quota not exceeding his basic quota, but shall not be permitted to have an interest in any other quota.

A producer who has more than 100 layers at any one time must have a Certificate of Quota issued from the Board. A producer who has not been issued a Certificate of Quota may house in the facilities a maximum of 499 layers if it is established that he was producing and marketing eggs in Nova Scotia as a non-quota holding producer prior to July 25, 1984.

C. New Entrant Programs

The new entrant program has been discontinued now that quota trades freely without facilities. There are currently 4 applicants in the queue waiting to gain entry into the industry.

D. Allocation Rules Governing Changes in Total Quota Stock

All of an increase in the total quota stock is allocated to existing producers, on a pro-rata basis. All regions and producers are allocated the average increase. Decreases in total quota stock also apply to all quota holders on a pro-rata basis.

E. Ownership and Rental of Quota

The ownership of quota is transferred to the producer when quota is sold. Consequently, quota can be used as collateral and can be repossessed by a bank for default of payment.
Quota can also be willed to an outside party. In the event of death, disability or retirement of a quota-holder, the Board may upon application approve the transfer of the quota to a member of the quota-holder's immediate family provided that such a transfer is not contrary to the interests of the egg industry in Nova Scotia.

Any registered quota-holder may once only during his lifetime offer for lease through the Board all or part of his quota for a 12 month period. The Board then advertises the lease invitation on a tender basis.

Rental prices are about one-fifth of quota purchase prices. The Board is entitled to a commission of 10 percent of the price negotiated for any quota lease.

Quota may be leased and not counted as the "once in a lifetime" application if the producer must make renovations on any of the buildings in the facilities in such a nature that the building will be out of production for a substantial portion of any 12 month period. Any quota or portion of quota which is under lease at the time of any increase or decrease of quota established by Canadian Egg Marketing Agency is subject to the same increase or decrease pro-rata as it would have been subject to had it continued to be used by the registered quota-holder from whom it is leased.

Once the leased quota reverts back to the original producer, production must resume within 30 days. If the producer fails to resume production within 30 days, the producer must apply to the Board to buy back the quota at the current price.

F. Changes in Industry Structure

The current number of producers in the industry is 46. Ten years ago, there were 64 producers.

The current average farm size is 17,000 layers. Five years ago, in 1981, the average farm size was 14,000 layers.

EGGS - PRINCE EDWARD ISLAND

A. Background

The two main goals of the Prince Edward Island Egg Commodity Marketing Board are to maintain the family farm and to achieve adequate levels of entry into the industry.

Quota is the property of the Board and, as such, is allocated by the Board to producers in areas where the local requirements for eggs are not met and to producers who are in the greatest need.

In order to maintain quota, producers are required to utilize 90 percent of their allocation for a total of 9 months each year.

B. Quota Allocation Rules and Procedures

Available quota is allocated to bona fide egg producers with priority given to new entrants and producers who have not yet reached the maximum quota level. Additional restrictions limiting quota allocation are that the applicant must reside in Prince Edward Island and must be a producer on a "family farm". Vertical integration is discouraged by preventing individuals with ownership in farm supply firms from obtaining quota. Applicants for quota must demonstrate adequate financial capability for managing an ongoing operation.

Production performance of farmers in a previous representative period has been considered only on occasion by the Board when allocating quotas. Family ties to existing producers are not considered. Only one quota is allocated per farm regardless of the amount of family members participating in production. Quota is not tied to specific land parcels. A producer must be in operation for 3 years at one location before being permitted to move the operation to another region within the province.

In the event of a quota transfer between two producers, 10 percent of the quota returns to the Board. This quota is then allocated to those producers with the most need. There are no set rules on the amount of quota that can be transferred. In other words, the quota can be transferred in part or in its entirety as long as the quota held by the recipient producer remains under the maximum limit.

The maximum amount of quota that can be held by a farm is 15,000 layers. The minimum amount is 300 layers. Supplementary quota may be allocated in order to maintain the provincial level.

C. New Entrant Programs

The objective of the new entrant program is to allow for new producers to enter the industry. At present, however, there are no producers wanting to obtain quota through a new entrant program. During the past 10 years, 6 new producers have entered the industry on a new entrant program.

The criteria for successful admission to a new entrant program are two-fold: the applicant must have sufficient financial capability; and, there must be a market for the eggs. The common feature of unsuccessful applicants is non-ownership of egg production facilities.

D. Allocation Rules Governing Changes in Total Quota Stock

In the event of an increase in the total stock of quota, 25 percent of the available quota would be allocated to new entrants and the remainder would be allocated on a pro-rata basis to existing producers.

If there were a system-wide decrease in the total stock of quota, producers' quotas would be reduced on a pro-rata basis with the first 1000 birds exempt.

E. Ownership and Rental of Quota

Quotas are the property of the Board at all times and do not have a value. Quota cannot be rented. As an alternative to renting quota, the Board allocates supplementary quota for short periods of time.

F. Changes in Industry Structure

There are currently 32 producers in the industry. The number of producers in the industry has declined over the last 10 years.

The present average farm size in the industry is between 1000 and 4000 birds.

EGGS - NEWFOUNDLAND

A. Background

The main goal of the Newfoundland Egg Marketing Board is to guide the direction and structure of the provincial industry so that vertical integration may be prevented.

Quotas have no value and are the property of the Board. Quotas are attached to specific production units and may be transferred between producers through the sale of the production facilities.

Initial quota determination was based on the number of eggs produced and marketed in Newfoundland and Labrador during 1972.

In order to maintain quota, production must not be ceased for a longer than 6 months. There is a penalty of $1.00 per hen per week for all layers held in excess of the quota allocation.

B. Quota Allocation Rules and Procedures

Quotas are allocated by the Board with priority given to producers with less than 15,000 layers.

The maximum amount of quota that a producer may hold is 25,000 layers. A producer with less than 500 layers is exempt from quota regulations.

Quotas can be transferred in whole or in part as long as the transfer doesn't exceed 25,000 layers. Movement of quota within the province is possible subject to Board approval. Among new applicants to the industry, family ties to an existing producer are not considered.

C. New Entrant Programs

The objective of the new entrant program is to meet provincial demand on a regional basis. There is excess demand among producers wanting to obtain quota through the new entrant program. There are currently 15 new applicants in the queue and 5 existing producers seeking an increase in quota.

The Board obtains the quota to provide to program participants from producers who cease production.

D. Allocation Rules Governing Changes in Total Quota Stock

Quotas to new producers and increased quotas to existing producers are issued by the Board with priority given in the following order:

- 10 percent of available quota is allocated to new producers with preference given to producers operating or intending to operate within areas of the Province where egg production is low or non-existant;
- and then to producers whose existing quotas are for production of less than 100,000 dozen eggs.

In the event of a system-wide decrease in the total stock of quota (e.g., due to decreased consumption), each producer's quota would be reduced on a percentage basis.

E. Ownership and Rental of Quota

The Board retains ownership of quota at all times. It is not possible to rent quota. Quota cannot be used as collateral nor repossessed by a bank for default of payment.

Quota cannot be willed to an outside party but the Board may transfer the quota of a deceased producer to a member of the immediate family.

F. Changes in Industry Structure

The current number of producers in the industry is 39. During the last 10 years, 4 producers have ceased production. The current average farm size in the industry is 11,200 layers.

CHICKENS

Summary of Rules and Statistics - Chickens

	B.C.	ALTA.	SASK.	MAN.	ONT.	QUE.	N.B.	N.S.	P.E.I.	NFLD.
Ownership of Quota	Board	Board	Board	Board	Board	Producers		Producers	Board	
Entry	Buy Farm with Board Consent	Buy Farm and Board Alloc.	Buy Farm with Board Consent	Buy Farm and Board Alloc.	Buy Farm with Board Consent	Buy Quota at Public Auction		Buy Farm and Board Alloc.	Board Alloc.	
Quota Rental	Yes w/ Farm	No	Yes w/ Farm	Yes w/ Farm	Yes w/ Farm	Yes		No	No	
Quota Maximum	226,880 lbs./ cycle	120,000 sq. ft.	40,000 birds	30,000 sq. ft.	80,000 units sq. ft.	120,000 sq. ft.		40,000 units	14,000 birds/ cycle	
Average Farm Size	30,000 birds/ cycle (1983)	25,000 sq. ft. (1986)	20,000 birds (1986)	17,000 sq. ft. (1986)	25,738 sq. ft. (1977)	***		4,088 sq. m. (1986)	2,000 birds (1986)	
Number of Producers	225 (1973); 214 (1985)	190 (1976); 210 (1986)	59 (1983); 67 (1986)	111 (1976); 131 (1986)	834 (1966); 609 (1977)	830 (1983); 910 (1985)		55 (1977); 67 (1986)	*** *** 9 (1985)	

PROVINCIAL QUOTA ALLOCATIONS, 1985
CHICKEN

Province	Quota	Market Share %	Number of Producers
	('000s of kilograms - eviscerated weight equivalent)		
B.C.	44,188	9.730	214
ALTA.	40,570	8.934	158
SASK.	12,227	2.692	70
MAN.	19,776	4.355	127
ONT.	158,804	34.969	721
QUE.	144,287	31.772	910
N.B.	12,021	2.647	38
N.S.	15,509	3.415	66
P.E.I.	442	.097	9
NFLD.	6,303	1.388	20
CANADA TOTAL	454,127	100	2,333

Source: Annual Report, 1985-85. National Farm Products Marketing Council, p. 27.

CHICKENS - BRITISH COLUMBIA

A. Background

The British Columbia Marketing Board, formed in December 1961, was the first poultry marketing board to be established in Canada. The goals of the Board are to maintain the family farm and to stabilize provincial prices and production levels.

Prior to 1970, it was possible for quotas to transfer between producers without the production facilities. Between 1970 and 1978, quotas were tied to the production unit and could only be transferred with the sale of the farm. In 1978, after the Board imposed a 3 month freeze on quota transfers, new regulations to prohibit speculative quota transfers were implemented requiring the new owners and sellers of farms to delay for 5 years before participatiing in another quota transfer. The delay period is currently set at 2 years.

Initial quota determination was based on the number of square feet of building space available with 1 bird allowed per square foot.

In order to maintain quota, a producer must have at least 40,500 pounds of broiler quota per cycle.

B. Quota Purchase Rules and Procedures

Quotas are tied to specific production units and may be traded freely in whole or in part with the sale of the production facilities. Board approval is necessary for all quota transfers.

Applications for quota transfer must be sent to the Board by the transferor at least 120 days prior to the proposed transfer date and include a $250.00 transfer fee payable to the Board. The Board will then advertise for a period of 90 days that the quota is available.

There are 3 production regions within British Columbia: Vancouver Island, the Interior, and the Lower Mainland. All quota within the Vancouver Island or Interior regions may not be transferred outside these regions. Furthermore, 10 percent of all quota offered for transfer in the Lower Mainland must first be offered for transfer in the Interior for a period of 90 days. Once the 90 days has passed, the quota may then be offered for transfer either to Vancouver Island or within the Lower Mainland.

Upon receipt of the quota, the producer must wait for a period of 2 years before re-transfering the new quota.

The Board reserves the right to not permit the transfer of quota to anyone with either direct or indirect financial interests in the British Columbia broiler industry.

The maximum amount of quota that an individual may hold is 226,800 pounds live weight per cycle (5.4 pounds live weight per square foot). The minimum amount of quota that a producer may hold is 40,500 pounds live weight per cycle for broilers and 32,000 pounds live weight per cycle for roasters.

C. New Entrant Programs

Since 1970, there have been 85 new growers enter the industry. The new entrants were first issued a 3 year permit with a 15 week production cycle. After the 3 years had passed, the producers could apply for quota. At present, the Board is maintaining a list of applicants waiting to gain entry into the industry but has not recently extended any permits.

D. Allocation Rules Governing Changes in Total Quota Stock

Changes in the demand for chicken lead to equal adjustments of all individual producer quotas. There has not yet been a decline in demand leading to a reduction of producers' quotas.

E. Ownership and Rental of Quota

All quotas are the property of the Board. Rental of quota is permitted through the lease of the production unit to which quota is attached. Quota may also be leased separately from the production unit for a maximum of 1 production cycle per year with Board approval.

F. Changes in Industry Structure

In 1973, there were 225 chicken producers in British Columbia. By 1985, the number of producers had declined to 214.

The average operation size in 1973 was 12,000 birds per cycle. By 1983, the average operation size had increased to 30,000 birds per cycle.

CHICKENS - ALBERTA

A. Background

The goal of the Alberta's Chicken Producers' Marketing Board, formed in 1966, is to guide the direction and structure of the of the industry so that a high degree of vertical integration may be prevented.

Quota is the property of the Board and may not be bought, sold, or leased. Quota is tied to the production facilities designated at the time of quota allocation and is expressed in terms of allowable weight per square foot (currently set at 1.8 kilograms per square foot of production facilities). Quota may not be transferred unless the corresponding buildings are either purchased or leased.

Initial quota determination was based on available building space and on historical marketings prior to the Board formation.

All quotas must be in production within 6 months from the date the quota is allotted or transferred, unless otherwise provided by the Board. Any quota, or any portion of it, not filled within 12 months may be reduced or recalled unless the Board is satisfied that unusual circumstances exist. If a registered producer markets chicken in excess of his quota, the Board may reduce his subsequent marketings by an amount equal to the excess.

B. Quota Allocation Rules and Procedures

There is excess demand for available chicken quota in Alberta. A list is made of existing producers arranged in order of priority from the smallest size producer to the largest. Increments of new quota are offered to existing producers in lots of 3,000 square feet. An existing producer may refuse all or part of the quota offer. In this case, the offer is listed as credit and will be added to the next 3,000 square feet quota offer made to the same producer. The maximum quota offer is 6,000 square feet.

The maximum amount of quota that can be held by a producer is 3 percent of the total provincial quota which is equivalent to approximately 120,000 square feet. Producers with 2,000 birds per year or less are exempt from quota regulations.

An existing producer who expanded by purchasing additional land and buildings and who wishes to consolidate quota may do so by moving to a single facility in another location after producing at the original location for two years. Quota which is re-allocated may not be re-allocated again until a period of 5 years from the date of the sale of the production premises has passed. Production facilities may be leased to another producer, though the quota must remain in the name of the owner of the premises used for production purposes.

C. New Entrant Programs

The objective of the new entrant program is to allow new growers to enter the industry. There is excess demand among producers wanting to obtain quota through the new entrant program. The waiting list of applicants has increased over the last 5-10 years. At present, there are 450 applicants in the queue. Since 1967, more than 100 producers have entered the industry on a new entrant program.

The Board obtains the quota to provide to program participants mainly from quota which has reverted to the Board because of non-use. The names of new applicants for chicken quota are ranked chronologically from the date the application was received by the Board. The minimum amount of quota allocated to a new entrant is 6,000 square feet and the maximum allocation is 12,000 square feet. When a new applicant for chicken quota declines to accept both the broiler quota and the roaster quota offered to him, his name is removed from the list of new applicants for chicken quota.

In addition to the new entrant program, there is also provision for parent-to-child division of quota which provides entry to new producers. The son or daughter must own their own production facilities, but may use quota split from the parents' premises in order to begin production.

D. Allocation Rules Governing Changes in Total Quota Stock

Market requirements dictate system-wide increases in total stock of quota. There is a priority system for new quota distribution. In the event of expansion of existing quota, 65 percent is made available to existing producers and 35 percent is offered to new entrants. The allocation rule is 3,000 square feet to existing producers and 12,000 square feet to new producers. No regions or producers are allocated more or less of an increase in quota than the average increase. There have been no system-wide increases since 1981.

In order to accomodate anticipated demand, the Board may increase or decrease the production of broilers by varying the number of kilograms in live weight of broilers that may be produced from each square foot of production facility authorized for a producer.

E. Ownership and Rental of Quota

Quotas belong to the Board and, as such, cannot be rented by producers. Because the Board retains ownership of quota at all times, it is also not possible for quota to be separately willed to an outside party or to be used as collateral.

F. Changes in Industry Structure

There are currently 210 producers in the industry. The number of producers has increased by about 20 in the last 10 years.

The current average farm size in the industry is 25,000 square feet. The average farm size has increased by about 6,000 square feet in the last 10 years.

CHICKENS - SASKATCHEWAN

A. Background

The Saskatchewan Chicken Marketing Board was formed in 1965. The objectives of the Board are to achieve production and price stability for growers while allowing for a return over costs of production. Secondary objectives are to prevent a high degree of vertical integration in the industry and to maintain the family farm.

Until the fall of 1977, quotas were considered to be the property of producers and could be sold or leased in conjunction with a production unit, subject to Board approval. However, in October 1977, new regulations were put into effect which stipulated that quotas are the property of the Board and, as such, have no value and may not be bought, sold or leased. At present, all quota transactions must be approved by the Board. Quota that is allocated to a registered producer relates to and is attached to a particular production unit. Quota may transfer with the sale of a production unit provided that the Board is satisfied that no value has been attached to the quota.

Initial quota determination was based on square footage of building space available in 1965.

Maintenance requirements state that quota which is unused for a period of 12 months will revert back to the Board unless an application for a standown in production is approved by the

Board. If the application is rejected, the grower must resume production under quota within 12 months or the unused portion of the quota will be cancelled.

The following over-production penalties are applied to registered producers who produce and market in excess of their quota allocation:

- marketings of chicken over 100 percent, but not over 110 percent, of the quota allocation will have a similar weight deducted from the quota allocation for the next quota period;
- marketings of chicken over 110 percent of the quota allocation will have twice the weight over 110 percent deducted from his quota allocation for the next quota period;
- and, finally, marketings of chicken over 100 percent, but not over 101 percent, of the total annual allocation will have that tonnage deducted from his allocation for the following year.

All marketings which are in excess of 101 percent of a grower's quota result in a fine of 8.3 cents per live kilogram in excess, payable within 30 days. If the fine is not paid within the 30 days, the processor is odered to deduct the fine from the next marketings of the producer. If the fine is still unpaid, the grower's license will be cancelled.

B. Quota Allocation Rules and Procedures

Quota is allocated and renewed annually by the Board to licensed producers in good standing. The Board maintains a list of existing producers. There is no system of priority among producers attached to this list; quota is allocated only at Board discretion. In order to receive quota from the Board, producers must be, and continue to be, full-time Saskatchewan residents. Quota is allocated for up to 6 quota periods per year (2 months each) and may be varied at any time within these periods by the Board.

Transfer of quota with the sale of a production unit is permitted provided that the following conditions are satisfied:

- the sale of the production facilities has been advertised in the Board newsletter (waived in the case of a family transfer);
- both the buyer and seller certify that there is no value attached to the quota;
- the transfer does not result in the buyer's quota or the combination of the buyer's quota and related parties' quota to exceed the maximum allowable level;
- and, finally, that the seller has been given 14 days notice that the quota will transfer with the sale of the facilities and his name will be removed from the "Register of Producers". If the seller does not stop the transfer within this period, the transfer will then be considered final.

Newly issued or transferred quota cannot be transferred again until 10 complete "throughputs" have been marketed unless special permission has been granted by the Board.

Permits may be issued for the production and marketing of chicken in specific quota periods in order to fulfill demand. These permits do not qualify toward the earning of intermittent or full basic quota.

The maximum quota which an individual may hold for broiler production is 40,000 head per year. The maximum quota for roaster production is 35,000. Exceptions are made for those units which were established prior to 1965 and were granted quotas above the maximum. Producers who produce and market less than 1,000 chickens per year are exempt from quota regulations.

C. New Entrant Programs

A formal "Quota Waiting List" is maintained by the Board for all new entrants. The new entrants are listed in order of priority according to date of application. In order to receive quota from the Board, new entrants must also conform to the Saskatchewan-residency condition mentioned above. If a new entrant becomes a registered producer by purchasing a production unit and receiving quota through transfer, their name will subsequently be dropped from the "Quota Waiting List".

D. Allocation Rules Governing Changes in Total Stock of Quota

In the event that there is an increase or decrease in the total stock of quota, adjustments will be made in individual quota allocations according to "Quota Waiting List" for new entrants and at the Board's discretion for existing producers.

E. Ownership and Rental of Quota

Quotas are the property of the Board. The loan of quota from one producer to another is permitted as long as no rental fee is attached. If production facilities are rented or leased, the quota remains in the original owner's name but may be used by the tenant. Furthermore, the tenant is not obligated to produce the quota in the rented facility, but may produce at his own premises.

F. Changes in Industry Structure

When quota was permitted to trade freely in the late 1970's, quota values ranged between $1.00 and $1.25 per bird. At present, quota is not permitted to be bought, sold or leased and has no value attached to it.

In 1983, there were 59 registered producers in the Saskatchewan chicken industry. In January 1986, there were 67 growers.

The average farm size has increased from between 10,000 and 15,000 birds in 1983 to between 15,000 and 20,000 birds in 1986.

CHICKENS - MANITOBA

A. Background

The primary goal of the Manitoba Chicken Broiler Producers' Marketing Board is to maintain the family farm. The Board was established in 1969.

It is illegal to sell quota in Manitoba. Quotas are the property of the Board and are allotted to specific production facilities controlled by registered producers.

Initial quota determination was based on the highest production level achieved by each producer during the qualifying period between 1966 to 1968.

There are both monetary and production penalties applied by the Board to producers who fail to maintain a required level of production. The necessary level of production is 100 percent of the allocation set by the Board. After 2 years of no production, the Board will take back the quota for re-allocation.

B. Quota Allocation Rules and Procedures

There are more requests for quota than available quota. At present, there is a waiting list for chicken quota of approximately 400 names.

Quotas are given to the oldest names on the list. However, at least 33 percent of the quotas must go to brand new producers. The remainder can then go to existing quota holders as long as they are not at the maximum limit.

The maximum chicken quota is 30,000 square feet of barn space. Basic quota is 10,000 square feet. However, if an existing producer is near his maximum quota allotment, these figures will be reduced so that the new quota and the existing quota do not go over the maximum limit.

The Board may re-allocate quota to a producer who has purchased production facilities with quota attached provided that the quota is not included in the value of the sale.

Quotas may not be re-located until a period of 2 years from the original allocation date has passed unless special permission has been granted by the Board.

C. New Entrant Programs

There are no special programs for new entrants. The only provision is that 33 percent of new quota must go to new entrants on the waiting list.

There is excess demand for quota among producers waiting to expand or enter the industry. There is only one waiting list with approximately 400 names which includes new applicants and existing producers by date of application. At least 50 percent or more of the names on the list are new applicants.

In 1984, 15 quotas were issued, 5 of which were to new entrants. In 1986, 10 quotas were issued with 5 going to new entrants.

D. Allocation Rules Governing Changes in Total Quota Stock

During the last 10 years, there have been on average a 5 percent increase in the total quota stock per year.

It is possible to have a system-wide decrease in the total stock of quota. In this case, all registered producers, except those with 5,000 square feet or less, would be subjected to a pro-rated decrease in quota.

E. Ownership and Rental of Quota

Quota is the property of the Board and cannot be rented. A producer can rent barn space to raise the quota for a temporary period but quota itself cannot be rented. In addition, quota cannot be used as collateral by a producer trying to finance a loan nor willed to an outside party.

F. Changes in Industry Structure

The current number of chicken producers in Manitoba is 131. In 1976, there were 111 producers. The increase in the number of producers in the industry reflects the growth in consumer demand for broiler products.

The current average farm production unit is 17,000 square feet of barn space.

CHICKENS - ONTARIO

A. Background

The Ontario Chicken Producers' Marketing Board was established in 1965. The main goals of the Board are to maintain the efficient family farm and to stabilize producer prices and incomes.

Initial quota determination was based on available building space prior to 1965. One unit of quota was awarded for each square foot of building space used in broiler chicken production.

All quotas are attached to specific production facilities. Quota transfers are possible between producers through the purchase of an on-going operation.

If a producer fails to market the full amount of either his broiler or roaster quota during a year, the Board may cancel his quota.

B. Quota Purchase Rules and Procedures

Quotas may be transferred between producers through the purchase of on-going production units. The Board may veto a transfer between two consenting parties if the producer who is transfering the quota has not been a registered grower for at least 2 years. Similarly, the producer who is receiving the quota may not re-transfer the quota until a period of 2 years has passed.

The maximum amount of quota that an individual may hold is 80,000 units of quota. The minimum amount of quota that may transfer with the purchase of the production facilities is 3,000 units.

A producer may produce in rented facilities and use the attached quota for up to one year given Board approval. The producer's own quota plus the additional quota available from leasing must not exceed the maximum limit of 80,000 units.

A producer may exit the industry by either selling his quota to the Board and retaining ownership of the production facilities or by selling the production facilities with the quota to another producer. The Board uses the quota it has purchased from retiring producers for re-sale to exisiting producers. The names of the producers interested in a quota increase are maintained on a list arranged according to the date of the application. The extra quota is offered for sale to the producers at the top of the list in lots no greater than 2,000 units.

C. New Entrant Programs

There are no new entrant programs in the Ontario chicken industry. In order to gain entry into the industry, new producers must purchase an on-going production operation.

D. Allocation Rules Governing Changes in Total Quota Stock

Variations in the total stock of quota would lead to pro rata adjustments in all individual producer quotas.

E. Ownership and Rental of Quota

All quotas are the property of the Board. It is possible to rent facilities with quota attached but it is not possible to rent the quota separately.

F. Changes in Industry Structure

In 1966, there were 834 producers in the Ontario chicken industry. Average farm size at that time was 14,000 square feet of building space compared to the average size of 25,738 square feet in 1977. In 1977, there were only 609 producers and in 1983, there were approximately 700 producers.

CHICKENS - QUEBEC

A. Background

The objectives of the Federation of Quebec Poultry Producers, which originated in 1966, are to maintain the family farm structure in the industry, to slow the trend towards vertical integration, to improve production efficiency, and finally, to provide producers with a reasonable price for their product. The Federation has the power to regulate the production and marketing of all poultry which includes broiler chickens, roaster chickens, cornish, broiler turkeys, and heavy turkeys. In this section, only chicken quotas will be discussed. The regulations concerning turkey quotas are described in a separate section.

Quota is freely traded upon negotiation between buyers and sellers. As of 1978, only individual farmers and family farm corporations have been permitted to purchase chicken quota. Other corporations and partnerships are excluded in an effort to reverse the trend towards concentration of production with a small number of corporate holdings. Effective in January 1984, all quota transfers must take place within the system of public auctions.

Original quota allocation was based on the available production capacity of each producer. One unit of quota was awarded for every square meter of floor space. Due to excess production capacity, new quotas were no longer awarded after

1973. At present, specific quota production provisions stipulate both the number of square meters per bird and the eligible weight per square meter within the facilities.

In order to maintain quota, a producer must deliver chicken during each production cycle equal to at least 90 percent of the maximum weight specified in the market quota for each of the production cycles during that year. The penalties for over-deliveries are as follows: deliveries that are between 100 percent and 110 percent of the maximum level result in a reduction in chicken deliveries in the subsequent period; deliveries that are over 110 percent of the maximum level result in a fine of 20 cents per kilo in excess of the 110 percent limit and the producer must remit all kilos in excess of the 110 percent limit.

B. Quota Purchase Rules and Procedures

Quota is purchased through advertised public auctions. In order to slow the trend towards vertical integration, regulations were enacted in 1978 preventing anyone but farmers and family farm corporations from holding chicken quota.

An ongoing operation is not a necessary requirement for purchasing quota but the transferee must prove to the Federation that he is the leasee or owner of production facilities that are equal in space to at least 55 percent of the production facilities intended for use upon receipt of the quota.

The maximum amount of chicken quota that may be held by an individual farmer is 120,000 square feet (11,150 square meters). The maximum amount of quota that may be held by a family farm corporation is slightly higher at 150,000 square feet (13,935 square meters). The amount of quota needed to be eligible for membership with the Federation is 300 square meters for existing producers, and 100 square meters for new producers.

In addition to the restrictions mentioned above concerning the exclusion of non family farm corporations and those producers who do not own or lease production facilities equal to at least 55 percent of the quota being purchased, there are also restrictions concerning the movement of quota between different areas.

There are three administrative areas under the Federation concerning poultry quota regulations in Quebec. Quota may move freely from region to region within an administration area but it may not be traded between areas. In other words, even if a producer lives outside the area in which he has purchased quota, he must still produce in the area where the quota was purchased. Also, in order to be eligible to transfer quota, a producer must have held and used quota for at least 12 consecutive months.

Under the new public auction system, auctions for quotas are held 4 times a year in each of the 3 administrative areas under the Federation. The specific dates within each of the 4 auction months (January, April, July, and October) are advertised in the producer newsletter 30 days in advance. Also advertised for each area are the total number of square meters of quota to be offered and the expected starting bid price for quota. A producer may offer all or part of his quota holdings at an auction as long as the amount offered is at least 50 square meters. Consequently, buyers may purchase no less than 50 square meters per bid. The maximum amount of quota that may be accumulated in order to begin production is 300 square meters.

There is a levy of $5.00 per 100 square meters of quota sold through the auction market to be paid by the seller. A seller may withdraw his quota from the market if he decides that the highest bid price offered throughout the course of the auction is still too low. In this case, the seller must pay a fee of $1.00 for every square meter of quota that was withdrawn.

The seller does not immediately receive the entire payment for quota sold at the auction. Instead, the payment is divided between an interest bearing trust account (10 percent) administered by the Federation on behalf of the seller and direct payment to the seller (90 percent). The 10 percent portion of the quota transfer is retained by the Federation so that the seller's production record may be reviewed. The buyer of the quota is then protected in the event that the quota still carries with it unpaid over-production penalties. If no violations are discovered within a 2 year review period, the 10 percent portion is returned to the seller along with the accumulated interest.

The Federation may veto a sale between two consenting parties if the restrictions on quota transfers have been violated. The Federation also has the right to adjust production levels for producers within their production cycles based on the amount of shipments required and the maximum number of birds to be delivered.

C. New Entrant Programs

There are no specific programs for new entrants in the Quebec chicken industry. New quotas have not been assigned by the Federation since 1978. In order to gain entry to the industry, a producer must conform to the restrictions outlined above and purchase quota through the public auction system.

D. Allocation Rules Governing Changes in Total Quota Stock

In the event of an increase or decrease in Quebec's share of the global chicken quota, the amount of allowable deliveries for each production cycle (number and weight of chicken before slaughter) is adjusted accordingly for all individual producers and family farm corporations.

E. Rental and Ownership of Quota

Quota may be rented as long as both parties involved in the transaction already own quota. Quota may be rented separately from production facilties for a period of one cycle up to a maximum of 2 years. Production resulting from the rental of quota must occur within the area of origin for the quota in question. The rental arrangement may be renewed at the end of 2 years given Federation approval. In 1983, rental of quota was reported to be trading at prices that ranged from $0.08 to $0.12 per bird.

Ownership of quota is transferred to the producer once the quota is sold. It is not unusual for Banks in Quebec to become involved in financing quota purchases. Quota may be pledged as a guarantee of a loan. Consequently, a producer must have written permission from the lending institution before offering the quota for sale.

f. Changes in Industry Structure

In 1971, there were 1660 producers in the Quebec chicken industry. In 1983, the number of producers in the industry was 830 and in 1985, the number of producers grew again to 910.

CHICKENS - NOVA SCOTIA

A. Background

The maintenance of horizontal equity among producers and the achievement of adequate levels of entry into the industry are the main goals of the Nova Scotia Marketing Board.

Quota must be transferred with facilities except in the case of a transfer made to the Board. The Board will buy a producer's quota separate from the facilities if it has been proven that it is uneconomic or impractical for the producer to remain in production or to exit from the industry by selling his production facilities.

A producer who markets more chicken than permitted by his quota will be subject to a reduction in his marketing quota for the following year in an amount equal to the excess. The extra quota reverts back to the Board and is then reallocated on a pro-rata basis among other producers who have not over-produced. Furthermore, a penalty of 25 cents per kilogram in excess will be applied to the producer if the total amount in production is greater than 101 percent of the producer's quota.

B. Quota Purchase Rules and Procedures

Quota may not be transferred from one producer to another without the written consent of the Board.

In order to purchase chicken quota in Nova Scotia, a producer must own a barn equipped for chicken production. A period of 5 years must pass from the date of the transfer before the quota can be transferred again.

Cornish chicken quota is not transferable either with or without facilities. Upon the sale of facilities or if a producer decides to retire, cornish chicken quota will revert back to the Board.

The Board maintains a list of producers in the industry with the amount of quota held by each grower. In the event that the Board has extra quota, from over-production penalties or through purchase, the quota will be sold to the producers with priority given to those who hold the smallest number of quota units.

The maximum amount of broiler quota that can be held by a producer is 40,000 units. The maximum amount of roaster quota that can be held is 26,500 units.

There are no taxes or levies on quota transfers. However, the Board does add a 10 percent commission fee when offering quota for sale to producers on the list. The prices at which the Board offers quota for sale are $3.00 per unit of broiler quota and $4.39 per unit of roaster quota.

C. New Entrant Programs

The objectives of the new entrant program are to establish small growers and to allow new growers to enter the industry.

There is excess demand among producers wanting to enter the industry on a new entrant program. The current waiting list, with 27 names, still includes producers who applied in 1974.

D. Allocation Rules Governing Changes in Total Quota Stock

Increases in the total quota stock are due to increases in chicken consumption. In the event of an increase in the total quota stock, the extra quota is allocated to producers on a percentage basis.

E. Ownership and Rental of Quota

Quota rental is not permitted even though the ownership of quota lies with the producers. It is also not possible to use quota as collateral nor to will it to an outside party.

F. Changes in Industry Structure

The current number of producers in the industry is 67. In 1977, there were 55 producers.

The current average farm size is 4,088 square meters of building space.

CHICKENS - PRINCE EDWARD ISLAND

A. Background

The Prince Edward Island Poultry Meat Commodity Board is responsible for the control and regulation of the production and marketing of broiler chickens and roaster chickens within the province.

Quotas cannot be sold, rented, or leased. The Board allocates quota to the specific production facilities of each producer.

Original quota allocation is based on production performance. The Board issues a permit to the producer for one year. The quota is then issued for the second year based on the level of production acheived during the first year.

In order to maintain quota, a producer achieve a level of production each year that is equal to 90 percent of his quota. If a producer fails to do so, the Board may transfer the unused portion of his quota to other applicants. If a grower over-produces, then a poundage adjustment will be applied to his quota for the following year. Any producer who produces in excess of 1 percent above his allotted quota must pay the Board a fee of 25 cents per kilogram on all excess production.

B. Quota Allocation Rules and Procedures

Quotas are not transferable between producers. If a producer ceases production, his quota will revert back to the Board and may be re-issued to the purchaser of his production unit at the Board's discretion. Quotas must be re-issued in their entirety. The Board does not take any percentage of the quota as a transfer assessment.

In order to be eligible to receive quota from the Board, producers must have suitable facilities, adequate financial arrangements, and an assured market.

Producers who hold less than 500 chickens in one year are exempt from quota regulations. The maximum amount of birds allowed per cycle is 14,000.

C. New Entrant Programs

As new quota becomes available, it is first offered in maximum lots of 115,000 kilograms to existing producers who are producing less than 230,000 kilograms per year. The names of these producers are maintained on a list with the oldest applications first.

If the existing producers do not accept all the quota offered, then the available quota is offered to new producers. There are currently 8 new producers in the queue waiting to receive quota.

D. Allocation Rules Governing Changes in Total Quota Stock

In the event of a decrease in the total stock of quota, individual producer quotas will be reduced on a pro rata basis.

Prince Edward Island currently has about 1.2 million kilograms of unassigned quota that they have been giving back to the Canadian Chicken Marketing Agency each year.

E. Ownership and Rental of Quota

Quotas are the property of the Board. The rental of quota is not considered to be a necessary option and is, therefore, not permissible. It is also not possible to use quota as collateral or to will quota to an outside party.

F. Changes in Industry Structure

There are currently 2 broiler operations and 15 one-flock roaster operations. The average farm size is between 1,000 and 3,000 birds.

In 1985, there were 9 producers in the Prince Edward Island chicken industry.

FLUID MILK

Summary of Rules and Statistics - Fluid Milk

	B.C.	ALTA.	SASK.	MAN.	ONT.	QUE.	N.B.	N.S.	P.E.I.	NFLD.
Ownership of Quota	Board	Board	Board	Board	Board	Producers	Board	Producers	Board	
Entry	Buy Quota and Board Alloc.	Buy Quota and Board Alloc.	Buy Farm with Board Consent	Buy Farm and Board Alloc.	Buy Quota on Exchange and Buy Farm	Buy Quota on CQSS and Buy Farm	Buy Quota on Exchange and Buy Farm	Buy Quota and Buy Herd	Buy Farm and Board Alloc.	
Quota Rental	Yes	No	No	No	No	No	No	No	No	
Quota Maximum	***	***	***	2,000 litres/ day	5,000 litres/ day	***	3,000 litres/ day	***	1,000 litres/ day	
Average Farm Size	***	***	***	***	***	164,819 litres (1984)	79 cows (1986)	***	***	
Number of Producers	1,178[a] (1982); 1,088 (1985)	5,204[a] (1982); 3,470 (1985)	513[b] (1974); 726 (1983)	1,200[a] (1983); 1,125 (1986)	11,200[a] (1983); 10,641 (1985)	21,755[a] (1980); 18,251 (1984)	986[a] (1980); 689 (1986)	959[a] (1981); 836 (1985)	140[a] (1982); 152 (1985)	

[a] All producers in dairy industry.
[b] Only producers holding fluid quota.

FLUID MILK - BRITISH COLUMBIA

A. Background

The objective of the British Columbia Milk Board is primarily to serve the fluid market. Fluid milk quota in British Columbia is a daily quota, and is governed by the British Columbia Milk Board. Since the establishment of producer quotas in 1956, they have always been saleable within each of five administrative regions of the province. Although these quotas are allocated separately from market share quota (MSQ), each unit of fluid quota includes a specified amount of MSQ. In particular, a purchase of 100 litres of fluid quota currently carries with it 29 kilograms of butterfat of MSQ per month, or approximately 27 litres of milk per day at current levels of fluid utilization. In other words, the purchase of 100 litres of milk at the fluid quota would allow the dairyman to ship 100 litres of milk at the fluid quota milk price and would permit a small additional amount of milk to be marketed as purely industrial milk, which would be about 3 or 4 litres at current levels of consumption. This addition of 29 kilograms (butterfat) of MSQ results from the fact that the fluid quota covers some milk produced in excess of fluid requirements and, because industrial milk quota is not transferable, a certain amount of industrial milk quota must be provided upon fluid quota transfer.

Original allocations of quota were based on levels of production at the time the Board was formed. To ensure adequate supplies to the fluid markets, the aggregate stock of quota was set at 120 percent of fresh milk consumption (Class I sales). However, to avoid losing this allocation, certain maintenance requirements have been specified. In particular, a producer must not let his average daily milk production fall beneath 100 percent of his fluid quota in the four lowest aggregate milk production months of a calendar year for two consecutive years. In other words, production may fall beneath the quota for some days even within these four months, but average daily production in this "quota period" may not fall below the quota for two consecutive years. If it does, the producer's fluid quota will be reduced until it equals his average daily production in these two quota periods.

Maint

B. Quota Purchase Rules and Procedures

Although technically the property of the Board, fluid quota has always been saleable between producers without requiring sale of other inputs or facilities. Would-be purchasers must hold valid health certification from the British Columbia Ministry of Agriculture and Food, and sales are accepted officially only upon Board approval. In addition, a transfer is approved only if the resulting quota holding of the purchaser is less than the maximum allowable level, which is 1 percent of the total provincial fluid milk quota.

The minimum transfer quantity is 50 litres, and the only maximum restriction is that the purchased quantity must not result in the purchaser holding more quota than the maximum allowable, whether the purchaser is an individual, a partnership, or a corporation.

The only additional restriction on sales is a locational constraint. Although quota is permitted to transfer between designated regions of the province, in practice, the Board has never granted such a transfer to take place.

There are no transfer taxes or levies applied by the Board to quota transfers. The only costs which one would incur in such a transaction are the brokerage charges which would be made if a seller was to sell through a quota broker.

Effective September 1st, there will be a 10 percent transfer assessment implemented by the Board. In other words, when fluid quota is sold or transferred, 10 percent of that quota will revert back to the Board. The only exception to this new transfer assessment is the rollover of a family farm. The quota obtained through the transfer assessment will be used to fund the young farmer building program. Five farmers have been admitted to the building program during 1986. Under the new terms of the building program, eligible farmers will receive four litres of fluid milk quota in two annual allocations. This quota may not be transferred or amalgamated for a period of 15 years.

Trade in quota is handled privately and without additional control or intervention by the Board. A number of private brokers, typically connected with local livestock auctions, have served buyers and sellers, and there is no centralized or formal, Board-run exchange for quota. Direct producer-to-producer transactions are possible, but in the larger markets such as the Lower Fraser Valley, transactions through brokers are dominant.

There are few additional constraints on quota transfers. The seller must have been in operation under Board license for at least five consecutive years and quota earned by those in the graduated entry program (described below) may not be resold for at least five years. The Board does not recognize a value on quota transactions. Concern with high or growing fluid quota prices has periodically led to a suspension of quota transferability. But these periods have been brief and the concerns with quota values have not led to any significant impairement of free transferability and open markets for fluid quota. One indication of the effect of this degree of transferability is that fluid quota turns over at a rate of 5 to 8 percent of the stock each year, and that although sellers are typically preparing for retirement or winding down an operation, buyers come from all size categories and many of the transfers are in the amount of 50 to 100 litres. This high rate of turnover, including a variety of different farms buying quota, indicates that this quota transfer regime has facilitated, or at least not obstructed, resource adjustments in favour of lower cost milk producers.

C. New Entrant Programs

British Columbia does have a graduated entry program for the milk industry. Unlike other provinces, this is not motivated by a desire to allow intregration of industrial milk producers with fluid milk producers, because the British Columbia industry is already "integrated". Rather, this entry program is an attempt to provide a means for new producers to enter the industry. Once accepted into the program (late summer) and after shipping industrial milk for a 6 month qualifying period, fluid quota is allocated to the producer in annual increments of 125, 125, and 150 litres. After 3 years, this entrant will have earned 400 litres of daily fluid quota, subject only to the restrictions that this earned quota may not be sold for 3 years following its acquisition and quota may not be purchased on the open market during the period of quota building.

Although the entrant finishes the program with only a small dairy farm, he will have gained over the 3 years a significant increase in assets, namely an investment in fluid quota of $230,000 at current market prices. Not suprisingly, this avenue of entry is very attractive and there is insufficient fluid quota to give to this program to satisfy all applicants. Rationing of access is undertaken on a first come-first served basis. As a result, the current waiting list is almost 700 individuals, a number which has grown steadily from no waiting list in 1974-75 to 200 in 1978 and to almost 700 in late 1985. Recent fluid growth has allowed only about 3 to 5 entrants to be succesasful each year. This means that the program is so heavily oversubscribed that it no longer provides access to the industry to anyone other than a historical sample of fortunate individuals. The fluid quota to finance this program comes from growth in the fluid market which must be shared with increased allocations to existing producers.

D. Allocation Rules Governing Changes in Total Quota Stock

The total quantity of fluid quota is increased only as fluid milk sales increase. When this market grows, the provincial fluid quota is increased by 120 percent of this growth, and the increased quota is shared between the graduated entry program and the increases allocated to existing producers. The rule of allocation again involves the "quota period", and each producer shares in the fluid quota growth in proportion to his share of production in excess of fluid quota production in the previous year's 4 quota months. This rule is not an across-the-board or general increase either in pro rata or fixed quantity terms. It provides for different increases for each producer, depending upon his production above his fluid quota. Historically, this increase has varied considerably by year, but on average it represented a considerable benefit to owning fluid quota. In the past five years, these increases have been minimal due to very slow growth in fluid consumption. In principle, this rule can apply to reductions in the aggregate quota stock as well, but there is little experience with actual decreases in consumption. When decreases in consumption have taken place, they have been brief and have not been matched by decreases in fluid quota.

E. Ownership and Rental of Quota

Quotas are the property of the Board. Rental of quota is permitted in British Columbia with approval of the Board.

F. Changes in Industry Structure

In 1982, there were 1,178 producers in the British Columbia dairy industry. By 1985, the number of producers had decreased to 1,088.

FLUID MILK - ALBERTA

A. Background

The main objectives of the Alberta Dairy Control Board are to maintain an even and dependable supply of fluid and industrial milk on a year-round basis, to control the distribution and production of milk, and to monitor the entry and exit of producers into and out of the milk industry. A milk board has been operational in Alberta since 1933.

Fluid milk quota and market share quota are transferred separately and do not have any specific relationship to each other.

Each fluid milk producer is assigned to a processor and shall deliver his quota every month to this processor. The Board determines the needs of the processors and then allots quotas to the licensed producers supplying milk within each processor's jurisdiction.

Initial fluid quota determination was also based on the needs of the processing plants. Original fluid quotas were allotted according to the amount of daily sales at the plant to which producers were shipping.

Fluid quota is issued at 125 percent of fluid sales and adjustments are made in January every year according to the processor's sales. At this time, a producer's fluid quota can be adjusted if he has failed to ship at least 95 percent of his fluid quota during the low quota months - September, October, November, and December. The producer's quota may be reduced by the amount of the shortfall in the following year.

B. Quota Purchase Rules and Procedures

Sales of fluid quota must be made through the Board to producers in the seller's plant area. Transfer of quota between processing regions is not allowed except where the Board deems it advisable. When selling quota, the producer must submit a letter stating how much quota he wishes to sell, and the minimum price he is willing to accept for it. Interested buyers must submit a bid indicating how much quota they desire and the maximum price they are willing to pay for it. The Board then attempts to match up sellers and buyers. If all the offered prices are less than the sellers' minimum acceptable price, then the seller is consulted further. If the offered quota is fully subscribed at the stated price, successful bidders receive quotas in proportion to their desired amounts relative to the amount offered for sale.

The maximum amount of fluid quota currently issued by the Board is set at 125 percent of a producer's fluid milk sales. The minimum amount of fluid quota that can be held is 5 litres per day. The minimum quantity that can be offered for sale is 100 litres per day. There is no transfer assessment instituted by the Board.

C. New Entrant Programs

The Graduated Entry Program (GEP) was instituted in 1975 in conjunction with the national Market Share Quota. The objective of the GEP is to provide industrial milk producers with an opportunity to gain entry into the fluid market.

The following list of qualifying criteria apply to all applicants who wish to receive quota through the GEP.

- The applicant must be a resident of Alberta for at least 6 months prior to the application;
- the applicant must file an application 3 months prior to the designated entry months of May, September, and January in a given year;
- the applicant must have deliveries averaging 220 litres of milk or cream equivalent for 2 months prior to the preceding month of entry;
- the applicant must not have transferred fluid quota or quota allotted previously through the GEP for a period of 24 months prior to the entry date;
- and, finally, the applicant must have farm premises that meet the Board's requirements which include a bulk tank with storage capacity for at least 5 milkings and an adequate milk production quality record.

Available fluid milk quota is allocated in installments to graduated entrants over a 3 year period. In 1983, the maximum installment level was 355 litres per day. It is possible to receive 50 percent of the installments upon entry and an additional 25 percent in each of the next two years. A graduated entrant's market share quota (MSQ) will be reduced by the amount equivalent to increase in the fluid quota. This MSQ is then re-assigned by the Board to other producers.

Specific quota maintenance requirements apply to graduated entrants. In order to maintain the new quota allotment, the graduated entrant must supply his basic daily production throughout the period of graduated entry or face a reduction in the new quota by a proportionate amount. Furthermore, fluid quota gained through the GEP may not be transferred until a period of two years after recieving the final GEP installment has passed. During the graduated entry period, the program participant may only transfer the rights to graduated entry or the remaining quota installments to a member of the immediate family or to the person who purchases his operation as a going concern.

In 1985, there were 87 applicants waiting to be accepted into the GEP. Since 1975, there have been 930 graduated entrants. Due to the decrease in consumption of fluid milk, the GEP has been recently cancelled.

D. Allocation Rules Governing Changes in Total Stock of Quota

If fluid sales increase, quota is allocated to producers on the basis of their production during the low quota months. Any new quota allocation is divided equally between new entrants and existing producers.

Offers are made to new producers on the basis of a priority list arranged according to the date of application. It is not necessary for existing producers to apply; any quota increases are automatically allocated to them by the Board.

E. Ownership and Rental of Quota

Quota remains at all times the property of the Board. Quota cannot be used as secured collateral by producers when dealing with lenders. Quota may not be willed to another party but the farm operation can be carried on by the estate of a deceased producer and the quota transferred by the estate upon Board approval. It is not possible to rent quota in Alberta.

F. Changes in Industry Structure

In 1985, the fluid quota price was $200 per litre. During the period between April 1983 and March 1984, 6.25 percent of the total provincial fluid quota was transferred.

In 1982, there were 5,204 milk and cream producers in the Alberta dairy industry. In 1985, there were 3,470 milk and cream producers in the industry.

FLUID MILK - SASKATCHEWAN

A. Background

The Saskatchewan Milk Control Board was established in 1935. The objective of the Board is to maintain an adequate supply of high quality milk at reasonable prices.

Quota is the property of the Board and has no value. Until recently, quota was only transferable with the sale of the complete farm or the dairy herd or to a member of the producer's immediate family. Furthermore, shipments had to be maintained from that same facility for at least a 12 month period before quota could be moved to an alternate location. Regulation changes made in July 1986, however, now allow a producer who buys a herd to move it along with 80 percent of the quota. The remaining 20 percent of the quota will revert to Board for re-allocation to other producers. An additional regulation change now permits quota to be transferred between the industrial cream and milk sectors.

Quota determination prior to 1974 was based on fluid milk sales in each of the 12 independent milk control areas. With the establishment of the provincial fluid milk pool in 1974, all producers now have the opportunity to participate in the returns from Class I milk sales.

In order to maintain fluid quota, average daily deliveries for any month must be at least 250 kilograms or the producer will be transferred to the cream sector until the minimum level is reached. If the minimum level of 250 kilograms per day cannot be re-gained for three consecutive months, the producer will be permanently transferred to the cream sector.

B. Quota Allocation Rules and Procedures

A producer must be registered and have produced milk for at least 4 months on approved farm premises in order to receive a quota allocation from the Board.

Annual adjustments to producers' fluid quota levels are based the average daily production during the 6 quota months of September through February. The daily average acheived during the 6 quota months determines the delivery level at the beginning of the following dairy year.

There is no maximum limit on quota holdings for an individual producer. The minimum level required to maintain fluid quota is a monthly average of 250 kilograms per day.

Upon entry into the industry, a producer must begin shipping milk within 90 days.

C. New Entrant Programs

In 1974, a Graduated Entry program was established in conjunction with the opening of the fluid pool. Quota was available for the asking until mid-1981. Prior to 1981, the Board had excess quota because the dairy producers did not completely fill the provincial market share quota allocation. However, since the 1981-82 dairy year, Saskatchewan has been more than filling their quota and most producers have been requesting increases. In 1983, 250 producers were awaiting quota for expansion and an additional 88 applicants were attempting access to Class I entitlements. The present program for new entrants is currently under review.

D. Allocation Rules Governing Changes in Total Stock of Quota

As quota becomes available, each producer receives a percentage increase. Similarly, decreases in the total stock of quota are applied to all producers on a percentage basis.

E. Ownership and Rental of Quota

All milk and cream quotas are the property of the Board. Quota cannot be rented separately from the production facilities.

F. Changes in Industry Structure

In 1974, there were 513 producers holding fluid quota. In 1983, there were 726 producers with fluid quota.

FLUID MILK - MANITOBA

A. Background

The main objective of the Manitoba's Milk Producers' Marketing Board is to market milk on behalf of producers as efficently as possible in order to obtain highest price possible based on the cost of production formula. The Board was formed in 1974.

Quota cannot have value in Manitoba and, as such, cannot be sold or purchased. Quota may be transferred between producers with the purchase of production facilities or cattle or without assets provided that no value is attached to the quota. The combination of permissable fluid milk and industrial milk production levels is known as Total Allowable Production (TAP). TAP is expressed in litres per day and sets the maximum level of production that may be shipped without being assessed an over-production levy.

In order to avoid a reduction in TAP during the following dairy year, a producer must produce at least 85 percent of the gross TAP allotted to him. If production is ceased for more than 2 consecutive months, then the TAP is cancelled and re-issued at the Board's discretion.

B. Quota Allocation Rules and Procedures

There is excess demand for quota among producers wanting to enter the dairy industry in Manitoba.

The Board maintains a list of producers requesting quota arranged according to the date of the application. A maximum of 250 litres per day is allocated to the producers on the list as their name comes up.

The daily entitlement allotted to each producer is based on production performance during a five month evaluation period beginning in September and ending at the end of January. The average daily deliveries achieved during this period determine the production level for the remainder of the dairy year that is eligible to receive the higher Grade A price. The daily entitlement may not exceed the TAP.

The maximum TAP quota is 2,000 litres per day for individuals and 8,000 litres per day for a partnership or corporation. In order to be a registered milk producer, a minimum of 220 litres per day of TAP must be produced.

Quota may be transferred among producers with the purchase of the facilities or cattle or independently provided no value is attached to the quota. All quota transfers are subject to a 20 percent assessment fee except those transfers between immediate family members or those involving the exchange of a complete, on-going dairy operation. A producer who has acquired or disposed of TAP through transfer must wait for a period of 6 months before participating in a quota transfer again.

C. New Entrant Programs

The objective of the New Entrant Program is to provide opportunity for new producers to enter the industry. There are currently 70 applicants in the queue waiting for quota. In 1985, 16 new producers entered the industry through a new entrant program. During the years between 1977 and 1984, 48 producers on average per year entered the industry through a new entrant program.

A new producer is granted daily entitlement equal to 90 percent of his TAP until he has produced milk for at least the 5 month qualification period.

The Board obtains the quota to provide to new entrants from the 20 percent assessment fees on quota transfers.

D. Allocation Rules Governing Changes in Total Quota Stock

In the event of an increase in the total stock of quota, 100 percent of the new quota is allocated to existing producers on a pro-rata basis.

E. Ownership and Rental of Quota

The Board retains ownership of quota at all times. Quota cannot be used as collateral nor willed to an outside party. As a result of the policy of not permitting quota to carry a value, quota also cannot be rented.

F. Changes in Industry Structure

There are currently 1125 milk producers in Manitoba. In 1983, there were approximately 1200 producers. The current average farm size in the industry is the production level of 600 litres per day.

FLUID MILK - ONTARIO

A. Background

The Ontario Milk Marketing Board was established in 1965. The main objective of the Board is to improve producer incomes and market stability.

Quotas are traded freely through the Quota Exchange system and with the sale of complete production units.

The Board adminsters 2 types of producer quotas. The Group I Pool quota, expressed in litres of milk per day, entitles the holder to receive the highest fluid milk price for shipments. The Group II Pool quota, also called market share quota (MSQ), entitles the holder to receive the lower industrial milk price. In this section, only the general rules and regulations and those concerning the Group I Pool quota will be discussed.

Initial fluid milk quota determination was based on marketings of milk during a base period in 1968.

In order to maintain Group I Pool quota, a producer must achieve a level of daily average production equal to at least 80 percent of his alloted quota. If daily average production falls below this level for 2 consecutive months, then the quota will be reduced by the amount of the shortfall. Furthermore, the Board reserves the right to cancel a producer's Group I Pool quota if his production average during any month falls below 44 litres per day.

B. Quota Purchase Rules and Procedures

Quotas can be transferred between producers either through the sale of a dairy farm or through the Quota Exchange system which has been in effect since 1980. Within family transfers are also possible and are the most common method used for quota transfers.

In order to purchase Group I Pool quota on the Quota Exchange, a producer must already hold MSQ. There are 3 separate monthly quota exchanges in operation: an Exchange for Group I Pool Quota, an Exchange for used MSQ, and finally, an Exchange for unused MSQ.

Producers who choose to use the Quota Exchange for quota transfers must telex to the Exchange the amount of quota they are willing to buy or sell and the desired price. The computer then considers the amount of quota supplied and the amount demanded to arrive at a market clearing price for the quota. Sellers who find this market clearing price to be unacceptably low and buyers who find it to be too high can submit another offer on a future Exchange. A producer cannot offer for sale and bid to purchase the same type of quota through the same Exchange during the same month.

There are no transfer asessments applied by the Board to within family transactions. However, quota that is sold with an ongoing dairy operation or through the Quota Exchange is subject to a 15 percent transfer assessment. This quota is then used to supply the Board's quota bank and programs for new entrants.

All quota transfers are subject to Board approval. The Board reserves the right to not permit a transfer that would result in production of more than 5,000 litres per day. Furthermore, no producer may hold fluid quota at the end of the first complete dairy year in an amount that exceeds 75 percent of his total within quota production. The minimum amount of Group I Pool quota that can be sold or transferred is 10 litres.

Once a producer has purchased an ongoing operation, he must produce and ship milk at the new premises for a period of 24 consecutive months before transferring the quota to a new location.

C. New Entrant Programs

Most new producers enter the industry through within family quota transfers or through the purchase of quota with production facilities.

There is a Graduated Entry Program, which began in 1968, for industrial milk producers who want to change their MSQ to fluid milk quota. In order to be eligible for the program, prospective entrants must have produced and delivered industrial milk for at least 12 months prior to April in the year of participation in the program. Furthermore, prospective entrants must not have held any Group I Pool quota previous to their application for entry.

Producers who are qualified to participate in the Graduated Entry Program will receive fluid quota in installments over a period of 4 years. During the first year, the producer is alloted 50 percent of the total amount. The remainder of the quota to be awarded is spread over the the next 3 years in equal amounts. The maximum amount of fluid quota that program participants may receive is either 176 litres per day or an amount equal to the average daily level of production acheived in the year prior to entry if this level is less than 176 litres per day. Upon receipt of the new fluid quota, a producer's MSQ is reduced by an amount equal to the expansion in fluid quota.

The right to participate in the Graduated Entry Program is transferable between family members as long as the recipient does not already hold fluid quota.

A new entrant must begin marketing milk within 90 days after the allotment of quota.

In 1978, 392 producers participated in the Graduated Entry Program. During the period between 1980 and 1982, there were only 159 new producers.

D. Allocation Rules Governing Changes in Total Quota Stock

Economic trends and dairy product consumption determine changes in the total stock of quota. Adjustments are made to individual producer quotas on an equal percentage basis.

E. Ownership and Rental of Quota

Both MSQ and Group I Pool quotas are the property of the Board. Quotas may not be rented.

F. Changes in Industry Structure

The price for Group I Pool quota was $60.00 per litre in 1980. In 1983, the price per litre for Group I Pool quota had increased to $200.00. In 1985, the price was higher still at $251.00 per litre.

The total number of producers in the Ontario dairy industry was approximately 16,129 in 1975. In 1983, this number decreased to 11,200 producers. In 1985, the total number of producers was 10,641 with 9,672 of these producers holding both Group I Pool quota and MSQ and 969 of the producers holding only MSQ.

FLUID MILK - QUEBEC

A. Background

The Federation of Quebec Milk Producers was established in 1980 by joining together the two separate organizations that had previously existed for the administration of industrial and fluid milk quotas. The main objectives of the Federation are to control the production and marketing of milk and milk products by regulating quota transfers and by providing product promotion and advertising.

There are 3 methods used for quota transfer: the centralized quota sale system (CQSS), the sale of a complete production unit, and finally, within family transfer. The Federation administers fluid milk quotas, and industrial milk quotas called market share quotas (MSQ). No producer may market fluid milk unless he holds both fluid quota and MSQ.

In order to maintain a dairy operation, a fluid milk producer must hold quota equal to at least 100 litres of fluid milk per day and 600 kilograms of butterfat per year. If a producer ceases to market milk for one month, then both his fluid quota and MSQ may be cancelled by the Board.

B. Quota Purchase Rules and Procedures

In order to buy or sell quota through the CQSS, a producer must telex his bid to purchase or his offer to sell during the period between the 17th of one month to the 7th of the following month. The market clearing price for each type of quota will be determined using the computer within days after the bidding period is over (i.e., by the 17th of the second month).

The operation of the CQSS is based on 2 principles: all sellers are willing to receive a higher price than their offer to sell and all buyers are willing to pay a lower price than their bid to purchase. Transactions will be completed by all those producers with offers to sell that are equal to or less than the market clearing price and all those buyers with bids to purchase that are equal to or greater than the market clearing price.

The minimum amount of fluid quota that can be offered for sale through the CQSS is 20 litres. The minimum amount for a bid to purchase fluid quota is 5 litres. Furthermore, a producer must not offer for sale a quantity of quota that would bring his quota below the minimum maintenance requirement for a dairy operation. The maximum amount of fluid quota that a producer can purchase during a dairy year is 250 litres.

No producer may place an offer to buy and an offer to sell for the same type of quota during the same month.

Producers who receive quota through transfer or through allocation must hold the quota for at least 6 months before re-transferring the quota.

There is a 10 percent reduction applied to each type of quota offered for sale through the CQSS and through the sale of a complete production unit.

C. New Entrant Programs

New producers who want to enter the dairy industry can purchase quota through the CQSS. Industrial milk producers may obtain fluid quota in an amount no greater than 17 percent of their MSQ.

The Federation administers a program for the integration of industrial producers into the fluid market. Annual integration of producers is directly related to the amount of increase in fluid milk sales.

In order to be eligible to receive fluid quota from the Federation, industrial producers must have produced milk with at least 3,500 pounds of butterfat for 2 years prior to entry into the fluid market.

Producers may not use the CQSS to sell the free fluid quota that they received upon integration until a period of 5 years has passed.

In 1984, 321 producers were integrated into the fluid milk Between the years 1979 and 1984, there were 4,551 producers integrated into the fluid milk sector. At the end of 1984, there was a queue of 1,242 producers waiting to be accepted for integration. These producers on the waiting list can still purchase fluid milk quota while maintaining their right to receive quota through integration.

D. Allocation Rules Governing Changes in Total Quota Stock

The Federation reserves the right to adjust each producer's fluid quota on a pro rata basis in order to relect changes in fluid milk sales.

E. Ownership and Rental of Quota

Quotas belong to the producers. Rental of quota is not permitted. It is possible to will quota to a member of the immediate family.

F. Changes in Industry Structure

In December 1984, before the CQSS was established, the average price for fluid quota was $322.30 per litre per day. In December 1982, the average price for fluid quota was $288.27 per litre per day.

The total number of producers in the Quebec dairy industry in 1980 was 21,755. By 1984, the number of milk producers had decreased to 18,251.

The average production per producer in 1980 was 129,025 litres. In 1984, the average production per producer was 164,819 litres.

FLUID MILK - NEW BRUNSWICK

A. Background

The goals of the New Brunswick Milk Marketing Board are to maintain the family farm, to ensure horizontal equity among producers, and to market the maximum amount of milk with the minimum amount of levy.

Quota may be transfered among producers through the Quota Exchange, through the sale of an ongoing operation, or through the sale of a dairy herd.

If a producer's daily average production falls below 100 percent of his allotted fluid milk quota for 2 consecutive months, then his fluid quota will be reduced by the amount of the shortfall. It is possible to re-earn the fluid milk quota lost due to the maintenance restriction by producing the original amount of quota during 2 specified months. However, a producer who transfers his fluid quota through the sale of an on-going farm also must transfer his eligibility to re-earn the lost quota. A producer must not cease producing fluid milk for a period longer than 60 days or his fluid quota will be cancelled by the Board.

B. Quota Purchase Rules and Procedures

Quota must be transferred in its entirety when the method of transfer is sale of an ongoing operation or sale of a herd. Quota that is offered on the Quota Exchange may be transferred in part.

The only eligibilty restrictions for bidding for fluid quota on the monthly Quota Exchange are that producers possess a letter of credit proving financial stability and that producers have less than 90 percent of their total quota holdings covered by fluid quota. All offers to sell and bids to purchase must be sent to the Board in letter or telex form. Producers with bids to purchase that are equal to or greater than the market clearing price will be able to buy quota. Similarly, producers with offers to sell that are equal to or less than the market clearing price will be able to sell quota. Producers are not allowed to offer to sell or bid to buy the same type of quota on the same Exchange.

There is a 15 percent transfer assessment fee on all fluid quota transfers except for those between members of an immediate family. The fluid quota received by the Board through transfer assessment is used for graduated entry allotments.

A producer who receives fluid quota through the purchase of an ongoing dairy operation must continue to produce milk for a period of 24 months after the change of ownership. A producer who receives fluid quota through the purchase of a complete dairy herd may not transfer any fluid quota for a period of 12 months from the date of the sale.

The maximum combined amount of fluid milk quota and market sharing quota (MSQ) that a producer may purchase is 3,000 litres per day. There is no restriction concerning the minimum amount of fluid quota that a producer may purchase.

C. New Entrant Programs

There is no new entrant program in the New Brunswick dairy industry. There is, however, a Graduated Entry Program which permits industrial milk shippers and cream shippers access to the fluid milk market.

In order to qualify for the Graduated Entry Program, an applicant must have been produced milk or cream for a period of at least 2 years prior to the date of application. A producer is not eligible, however, if he has previously held fluid milk quota and lost it either through transfer or cancellation by the Board. Applications must be received by the Board by May 15 of any year for entry on August 1 of that year.

Upon receiving fluid quota through the Graduated Entry Program, producers must exchange an equal volume of MSQ for the daily fluid quota. The fluid quota will be allocated to the producers in equal installments over a period of 5 years. The total amount of fluid quota allotted to a producer must not exceed 90 percent of his total annual quota.

A producer may transfer his right to receive quota through the Graduated Entry Program to a member of his immediate family.

A Graduated Entry producer must retain all the fluid quota attained by him or allotted to him for a period of 6 months after the date of entry into the program.

D. Allocation Rules Governing Changes in Total Quota Stock

There are two factors which would cause expansion of the total stock of quota: an increase in the consumption of milk and dairy products, and the need to stimulate production.

Any adjustments in the total stock of quota will be applied to existing producers' quotas on a pro rata basis.

The total stock of fluid quota has increased by approximately 15 percent over the last 10 years.

E. Ownership and Rental of Quota

All quotas are the property of the New Brunswick Milk Marketing Board. Quotas may not be rented in New Brunswick. Rental of quota is not permitted (except in the case of a catastrophe) because the Board feels that it would lead to additional costs for the lessee and large fluctuations in production.

Quotas may not be used as collateral nor pledged as security. It is possible, however, to will quota to an outside party.

F. Changes in Industry Structure

In 1983, the average price for fluid milk quota was $195 per litre. In June 1986, the price for fluid quota on the Quota Exchange was $210.05 per litre.

There are presently 502 milk producers in New Brunswick and 187 cream producers. In 1980, there were 522 milk producers and 446 cream producers.

The current average size of a dairy farm in New Brunswick is 79 cows. In 1980, there was an average of 72 cows per farm.

FLUID MILK - NOVA SCOTIA

A. Background

The main objective of the Nova Scotia Dairy Commission is to ensure horizontal equity among producers.

Fluid milk producers are assigned to specific milk processing plants. Quotas are adjusted on a plant basis in order to reflect plant sales. Fluid quota is transferable among producers in the same plant area.

In order to maintain quota, a fluid producer must ship total deliveries during the 3 quota months (defined below) equal to at least 90 percent of his fluid quota. If a producer discontinues to ship milk for more than 7 days, without prior approval of the Quota Committee at the plant to which he ships milk, his fluid quota may be cancelled.

B. Quota Purchase Rules and Procedures

Existing milk or cream producers may purchase fluid quota separately from the complete herd. Quota purchases are arranged privately or by auction. Purchases are not arranged by the Nova Scotia Dairy Commission. Howver, approval of the Quota Committee at each of the processing plants is necessary in order for a transaction between a buyer and seller to be effective.

Additional fluid quota is distributed as a percent of each producer's over-quota production in the 3 quota building months.

The three quota building months are the months in which the processing plant received the least amount of milk on a daily basis.

Quotas may be transferred in part or in their entirety. However, if a producer sells his entire fluid quota, he will not be eligible to purchase fluid quota to ship to any processing plant for 2 years from the date of the sale. A producer who purchases fluid quota may not sell the quota for a period of 2 years from the date of purchase unless unusual circumstances prevail.

Producer quotas for shipping to each processing plant cannot be transferred for shipping to another plant. If a producer moves to another farm which is not within the pick up area of the plant to which he was shipping, then he must re-purchase quota that applies to the new plant.

The minimum amount of fluid quota that can be sold is 50 litres. A producer may not offer for sale an amount of quota that would result in his remaining quota being less than 110 litres per day.

C. New Entrant Programs

A new producer must purchase the complete herd and the total fluid quota of an existing producer in order to enter the industry.

The Commission does not maintain a list of new producers waiting to gain entry into the industry.

On average, 2 new producers per year gain entry into the industry.

A producer who wishes to expand his operation above the current level must do so without a formal program.

D. Allocation Rules Governing Changes in Total Quota Stock

All increases in the total stock of quota are allocated to existing producers. If decreased consumption of milk caused a reduction in the total stock of quota, then all individual producer quotas would be cut by an equal percentage.

E. Ownership and Rental of Quota

Producers own the quotas. Some lending institutions in Nova Scotia will accept a statement from a producer which allows the lending institution to have first claim against the value of the quota in the case of default. It is possible for a bank to repossess a producer's quota through court action. There are no restrictions concerning the willing of quota to an outside party. The new owner of the quota would be responsible for maintaining shipments or the quota would be cancelled.

Quota cannot be rented. The Commission has not received any indication that producers are interested in having quota available on a rental basis. The Commission is of the opinion that rental of quota would only complicate the present system.

F. Changes in Industry Structure

In 1981, there were 959 producers in the Nova Scotia dairy industry. In 1985, the total number of producers in the dairy industry was 836 with 625 of the producers holding quotas for both the fluid and industrial markets and the remaining 211 producers holding quotas entitling them to ship farm separated cream.

FLUID MILK - PRINCE EDWARD ISLAND

A. Background

The Prince Edward Island Milk Marketing Board administers both industrial milk quotas (MSQ) and fluid milk quotas (Class I quotas). In this section, only the rules and regulations concerning fluid milk quotas will be discussed.

There are two possible ways to transfer fluid quota: between members of an immediate family, and between the seller and buyer of an ongoing production unit.

Class I milk producers who deliver shipments equal to less than 90 percent of their daily fluid quota for 2 consecutive months will have their quota reduced by the amount of the shortfall. Producers who fail to deliver milk for 1 month will lose their quota.

B. Quota Purchase Rules and Procedures

All quota transfers are subject to Board approval. In the case of a transfer between a seller and a buyer of an ongoing dairy farm, Board approval is conditional on the purchaser of the farm being a resident of Prince Edward Island and having been a milk producer in the province for 12 consecutive months before the date of the purchase.

The maximum amount of Class I quota that an individual may hold is 1,000 litres per day.

C. New Entrant Programs

It is possible for an industrial milk producer to apply to the Board for entry into the fluid market. If eligible, the producer will be issued a Class I quota equal to the average daily shipments achieved during the 3 lowest months during the 12 month period prior to the date of application.

Upon entry into the Class I Milk Pool, a producer must give up an amount of MSQ equal to the amount of new fluid quota.

New producers may enter the industry through the purchase of an ongoing operation or through the transfer of quota from a family member.

D. Allocation Rules Governing Changes in Total Quota Stock

The Board reserves the right to increase or decrease producers' quotas to reflect changes in consumption of dairy products and in the total stock of quota.

E. Ownership and Rental of Quota

All fluid milk quotas and industrial milk quotas are the property of the Board.

F. Changes in Industry Structure

In 1982, there were 140 dairy farmers in Prince Edward Island who held quotas for both the fluid and industrial markets. In 1985, there were 152 producers who held both fluid and industrial milk quotas.

INDUSTRIAL MILK

Summary of Rules and Statistics - Industrial Milk

	B.C.	ALTA.	SASK.	MAN.	ONT.	QUE.	N.B.	N.S.	P.E.I.	NFLD.
Ownership of Quota	Board	Board	Board	Board	Board	Producers	Board	Producers	Board	
Entry	Buy Quota and Board Alloc.	Buy Quota and Board Alloc.	Buy Farm with Board Consent	Buy Farm and Board Alloc.	Buy Quota on Exchange and Buy Farm	Buy Quota on CQSS and Buy Farm	Buy Quota on Exchange and Buy Farm	Buy Quota and Buy Herd	Buy Farm and Board Alloc.	
Quota Rental	Yes	No	No	No	No	No	No	No	No	
Quota Maximum	***	***	***	2,000 litres/ day	5,000 litres/ day	***	3,000 litres/ day	***	1,000 litres/ day	
Average Farm Size	***	***	***	***	***	164,819 litres (1984)	79 cows (1986)	***	***	
Number of Producers	1,178[a] (1982); 1,088 (1985)	5,204[a] (1982); 3,470 (1985)	***	1,200[a] (1983); 1,125 (1986)	11,200[a] (1983); 10,641 (1985)	21,755[a] (1980); 18,251 (1984)	986[a] (1980); 689 (1986)	959[a] (1981); 836 (1985)	140[a] (1982); 152 (1985)	

[a] All producers in dairy industry.

PROVINCIAL ALLOCATION OF NATIONAL MARKET SHARING QUOTA, February 1985

Province	Butterfat	Milk	Total Share
	(millions of kilograms)	(millions of hectolitres)	(%)
B.C.	6.221	1.728	3.647
ALTA.	11.373	3.159	6.668
SASK.	4.409	1.225	2.585
MAN.	6.624	1.840	3.883
ONT.	52.974	14.715	31.056
QUE.	81.380	22.606	47.710
N.B.	2.238	0.622	1.312
N.S.	2.142	0.595	1.256
P.E.I.	3.212	0.892	1.883
CANADA TOTAL	170.573	47.381	100

Source: Annual Report, 1984-85. The Canadian Dairy Commission, p.45.

INDUSTRIAL MILK - BRITISH COLUMBIA

A. Background

The primary objective of the British Columbia Milk Board is to serve the fluid market. Fluid milk quotas and industrial milk quotas (MSQ) are allocated separately though each purchase of fluid quota currently carries with it 29 kilograms butterfat of MSQ per month.

While fluid quota has always been saleable with or without production facilities, (MSQ) is tied to production facilities and remains non-transferable except with facilities. However, family transfers (from parent to child) of MSQ are permitted on a once only basis.

If a farmer owns more than 27 litres per day of MSQ per 100 litres of fluid, then the excess MSQ reverts back to the Board upon sale of the quota. This extra MSQ is then allotted to new entrants through the Graduated Entry Program. The regulations concerning the Graduated Entry Program are discussed in the section titled "Fluid Milk - British Columbia".

Prior to 1975, producers could obtain MSQ for all their production above fluid quota simply by applying to the British Columbia Milk Board or by purchasing facilities with MSQ. However, by 1975, British Columbia's share of the national MSQ had been completely allocated and levies were established on milk produced above the allotted MSQ.

In order to alleviate the situation of excess demand for MSQ, British Columbia rented additional MSQ from Alberta in 1974-75. The Board has since claimed that allocations of MSQ have not kept pace with population increases. Being unable to negotiate an increased share of global quota, British Columbia formally withdrew from the national plan during dairy year 1982-83. By the end of the 1983-84 dairy year, the Canadian Milk Supply Management Committee and the British Columbia Milk Board came to an agreement concerning outstanding levies and arranged to receive an increased provincial allocation in the amount of approximately 800,000 hectolitres per year. Consequently, British Columbia has since rejoined the national plan.

INDUSTRIAL MILK - ALBERTA

A. Background

The main objectives of the Alberta Dairy Control Board are to maintain an even and dependable supply of fluid and industrial milk on a year-round basis, to control the distribution and production of milk, and to monitor the entry and exit of producers into and out of the milk industry. A milk board has been operational in Alberta since 1933.

Since 1982-83, Market Share Quota (MSQ) has been scarce enough to take on a value and has been traded separately from fluid quota. Producers can hold either fluid quota or MSQ or a combination of both.

A producer may transfer his MSQ in part or in its entirety. However, he cannot transfer an amount that will leave him with less than 190 kg. of butterfat per year or the equivalent fluid amount. A producer must fulfill at least 90 percent of his MSQ in each dairy year or he loses MSQ until his actual production is 90 percent of his revised (lowered) MSQ.

B. Quota Purchase Rules and Procedures

A producer wishing to sell some or all of his MSQ must first apply to the Board. If the Board approves the transfer, the MSQ is offered for sale through the quota exchange. All MSQ transfers must be made through the exchange except for transfer to members of the immediate family of the seller or for the sale of the entire operation (all assets) with the MSQ.

There are two MSQ exchanges, one for used MSQ and one for unused MSQ. The seller specifies the quantity of MSQ available for sale and the minimum price he is willing to accept. Interested buyers can telex bids specifying price and quantity desired. Buyers and sellers are matched by computer to determine a market clearing price. The minimum allowable transfer is 190 kilograms of butterfat, and the Board applies an assessment fee of 5 percent on all sales.

The minimum amount of MSQ that can be held is the level that covers that portion of fluid milk quota deliveries which are processed into industrial milk products if fluid milk quota is to be maintained and over-quota levies are to be avoided.

C. New Entrant Programs

The Graduated Entry Program was originally designed to integrate industrial milk and cream shippers into the fluid market. Producers must make an application to the Board. If approved, the producer is granted fluid quota over a 3 year period. One-half the allotment is granted at the start and one-quarter is granted in each of the 2 following years. The producer's MSQ is reduced by the amount of fluid quota which he receives. Any quota received through this program cannot be traded for two years after the full amount has been alloted. The criteria for successful admission into the program are given in the "Fluid Milk - Alberta" section.

In the past, there has been excess demand for the program resulting in large waiting lists. In 1985, there were 87 applicants waiting to be accepted into the GEP. Since 1975, there have been 930 graduated entrants. Due to the decrease in consumption of fluid milk since 1981, the program has been recently cancelled.

D. Allocation Rules Governing Changes in Total Quota Stock

Any new quota allocation is divided equally between new entrants and existing producers. MSQ is issued on a pro-rated basis with an equal percentage applied to everyone.

Offers are made to new producers on the basis of a priority list arranged according to the date of application. It is not necessary for existing producers to apply; any quota increases are automatically allocated by the Board.

E. Ownership and Rental of Quota

Quota remains at all times the property of the Board. Quota cannot be used as secured collateral by producers when dealing with lenders. Quota may not be willed to another party but the farm operation can be carried on by the estate of a deceased producer and the quota can be transferred by the estate upon Board approval. It is not possible to rent quota in Alberta.

F. Changes in Industry Structure

In 1985, the MSQ price was $8.50 per kilogram. During the period between July 1985 and July 1984, 6 perecnt of the total provincial MSQ was transferred.

In 1982, there were 5,204 milk and cream producers in the Alberta dairy industry. In 1985, there were 3,470 milk and cream producers in the industry.

INDUSTRIAL MILK - SASKATCHEWAN

A. Background

The Saskatchewan Milk Control Board was established in 1935. The objective of the Board is to maintain an adequate supply of high quality milk at reasonable prices.

Quota is the property of the Board and has no value. Until recently, quota was only transferable with the sale of the complete farm or the dairy herd or to a member of the producer's immediate family. Furthermore, shipments had to be maintained from that same facility for at least a 12 month period before quota could be moved to an alternate location. Regulation changes made in July 1986, however, now allow a producer who buys a herd to move it along with 80 percent of the quota. The remaining 20 percent of the quota will revert to Board for re-allocation to other producers. An additional regulation change now permits quota to be transferred between the industrial cream and milk sectors.

Quota determination prior to 1974 was based on fluid milk sales in each of the 12 independent milk control areas. With the establishment of the provincial fluid milk pool in 1974, all producers now have the opportunity to participate in the returns from Class I milk sales.

B. Quota Allocation Rules and Procedures

Industrial producers who qualify into the fluid milk pool receive a quota allocation equivalent to their average daily production acheived during the preceding four months. Their market share quota (MSQ) is subsequently reduced by the annual equivalent of the fluid milk sales.

There is no maximum limit on quota holdings for an individual producer.

Upon entry into the industry, a producer must begin shipping milk within 90 days.

C. New Entrant Programs

In 1974, a Graduated Entry Program was established in conjunction with the opening of the fluid pool. Prior to 1981, the Board had excess quota because the dairy producers did not completely fill the provincial market share quota allocation. However, since the 1981-82 dairy year, Saskatchewan has been more than filling their quota and most producers have been requesting increases. In 1983, 250 producers were awaiting quota for expansion. The present program for new entrants is currently under review.

D. Allocation Rules Governing Changes in Total Quota Stock

As quota becomes available, each producer receives a percentage increase. Similarly, decreases in the total stock of quota are applied to all producers on a percentage basis.

E. Ownership and Rental of Quota

All milk and cream quotas are the property of the Board. Quota cannot be rented separately from the production facilities.

INDUSTRIAL MILK - MANITOBA

A. Background

The main objective of the Manitoba's Milk Producers' Marketing Board is to market milk on behalf of producers as efficently as possible in order to obtain highest price possible based on the cost of production formula. The Board was formed in 1974.

Quota cannot have value in Manitoba and, as such, cannot be sold or purchased. Quota may be transferred between producers with the purchase of production facilities or cattle or without assets provided that no value is attached to the quota. The combination of permissable fluid milk and industrial milk production levels is known as Total Allowable Production (TAP). TAP is expressed in litres per day and sets the maximum level of production that may be shipped without being assessed an over-production levy.

In order to avoid a reduction in TAP during the following dairy year, a producer must produce at least 85 percent of the gross TAP allotted to him. If production is ceased for more than 2 consecutive months, then the TAP is cancelled and re-issued at the Board's discretion.

B. Quota Allocation Rules and Procedures

There is excess demand for quota among producers wanting to enter the dairy industry in Manitoba.

The Board maintains a list of producers requesting quota arranged according to the date of the application. A maximum of 250 litres per day is allocated to the producers on the list as their name comes up.

The daily entitlement allotted to each producer is based on production performance during a five month evaluation period beginning in September and ending at the end of January. The average daily deliveries achieved during this period determine the production level for the remainder of the dairy year that is eligible to receive the higher Grade A price. The daily entitlement may not exceed the TAP.

The maximum TAP quota is 2,000 litres per day for individuals and 8,000 litres per day for a partnership or corporation. In order to be a registered milk producer, a minimum of 220 litres per day of TAP must be produced.

Quota may be transferred among producers with the purchase of the facilities or cattle or independently provided no value is attached to the quota. All quota transfers are subject to a 20 percent assessment fee except those transfers between immediate family members or those involving the exchange of a complete, on-going dairy operation. A producer who has acquired or disposed of TAP through transfer must wait for a period of 6 months before participating in a quota transfer again.

C. New Entrant Programs

The objective of the New Entrant Program is to provide opportunity for new producers to enter the industry. There are currently 70 applicants in the queue waiting for quota. In 1985, 16 new producers entered the industry through a new entrant program. During the years between 1977 and 1984, 48 producers on average per year entered the industry through a new entrant program.

A new producer is granted daily entitlement equal to 90 percent of his TAP until he has produced milk for at least the 5 month qualification period.

The Board obtains the quota to provide to new entrants from the 20 percent assessment fees on quota transfers.

D. Allocation Rules Governing Changes in Total Quota Stock

In the event of an increase in the total stock of quota, 100 percent of the new quota is allocated to existing producers on a pro-rata basis.

E. Ownership and Rental of Quota

The Board retains ownership of quota at all times. Quota cannot be used as collateral nor willed to an outside party. As a result of the policy of not permitting quota to carry a value, quota also cannot be rented.

F. Changes in Industry Structure

There are currently 1125 milk producers in Manitoba. In 1983, there were approximately 1200 producers. The current average production level per farm is 600 litres per day.

INDUSTRIAL MILK - ONTARIO

A. Background

The Ontario Milk Marketing Board was established in 1965. The main objective of the Board is to improve producer incomes and market stability.

Quotas are traded freely through the Quota Exchange system and through the sale of complete production units.

The Board adminsters 2 types of producer quotas. The Group I Pool quota, expressed in litres of milk per day, entitles the holder to receive the highest fluid milk price for shipments. The Group II Pool quota, also called market share quota (MSQ), entitles the holder to receive the lower industrial milk price. In this section, only the general rules and regulations and those concerning the Group II Pool quota will be discussed.

In order to maintain quota, a producer must market at least 85 percent of his allotted MSQ in a dairy year. If production falls below this level, then MSQ for the following dairy year will be reduced to 117.647 percent of MSQ deliveries. A producer who only holds Group II Pool quota and who wishes to cease shipping milk may do so only for a period of up to 150 days. If the producer does not begin production again after the period of 150 days has passed, his MSQ will be cancelled by the Board.

B. Quota Purchase Rules and Procedures

Quotas can be transferred between producers either through the sale of a dairy farm or through the Quota Exchange system which has been in effect since 1980. Within family transfers are also possible and are the most common method used for quota transfers.

Producers who choose to use the Quota Exchange for quota transfers must telex to the Exchange the amount of quota they are willing to buy or sell and the desired price. The computer then considers the amount of quota supplied and the amount demanded to arrive at a market clearing price for the quota. Sellers who find this market clearing price to be unacceptably low and buyers who find it to be too high can submit another offer on the next month's Exchange. There are 3 separate monthly quota exchanges in operation: a Group I Pool Quota Exchange, an Exchange for used MSQ, and finally, an Exchange for unused MSQ.

There are no transfer asessments applied by the Board to within family transactions. However, quota that is sold with an ongoing dairy operation or through the Quota Exchange is subject to a 15 percent transfer assessment. This quota is then used to supply the Board's quota bank and programs for new entrants.

All quota transfers are subject to Board approval. The Board reserves the right to not permit a transfer that would result in production of more than 5,000 litres of milk per day. The minimum amount of used or unused MSQ that can be sold or transferred is

3,000 litres.

Once a producer has purchased an ongoing operation, he must produce and ship milk at the new premises for a period of 24 consecutive months before transferring the quota to a new location.

C. New Entrant Programs

Most new producers enter the industry through within family quota transfers or through the purchase of quota with production facilities.

There is a Graduated Entry Program, which began in 1968, for industrial milk producers who want to change their MSQ to fluid milk quota. In order to be eligible for the program, prospective entrants must have produced and delivered industrial milk for at least 12 months prior to April in the year of participation in the program. Furthermore, prospective entrants must not have held any Group I Pool quota previous to their application for entry.

Producers who are qualified to participate in the Graduated Entry Program will receive fluid quota in installments over a period of 4 years. During the first year, the producer is alloted 50 percent of the total amount. The remainder of the quota to be awarded is spread over the the next 3 years in equal amounts. The maximum amount of fluid quota that program participants may receive is either 176 litres per day or an amount equal to the average daily level of production acheived in the year prior to entry if this level is less than 176 litres per day. Upon receipt of the new fluid quota, a producer's MSQ is reduced by an amount equal to the expansion in fluid quota.

The right to participate in the Graduated Entry Program is transferable between family members as long as the recipient does not already hold fluid quota.

In 1978, 392 producers participated in the Graduated Entry Program. During the period between 1980 and 1982, there were only 159 new producers.

D. Allocation Rules Governing Changes in Total Quota Stock

Economic trends and the consumption of dairy products determine changes in the total stock of quota. Adjustments are made to individual producer quotas on an equal percentage basis. The Board reserves the right to increase or decrease MSQ held by all producers to reflect Ontario's share in the total national MSQ by methods to be determined by the Board.

E. Ownership and Rental of Quota

Both Group I Pool quota and MSQ are the property of the Board. Quotas may not be rented.

F. Changes in Industry Structure

In March 1980, the price for unused MSQ was 22.7 cents per litre while the price for used MSQ was 23.0 cents per litre. A year later, in March 1981, the prices had risen to 33.1 cents per litre for unused MSQ and 22.3 cents per litre for used MSQ.

The total number of producers in the Ontario dairy industry was approximately 16,129 in 1975. In 1983, this number decreased to 11,200 producers. In 1985, the total number of producers was 10,641 with 9,672 of these producers holding both Group I Pool quota and MSQ and 969 producers holding only MSQ.

INDUSTRIAL MILK - QUEBEC

A. Background

The Federation of Quebec Milk Producers was established in 1980 by joining together the two separate organizations that had previously existed for the administration of industrial and fluid milk quotas. The main objectives of the Federation are to control the production and marketing of milk and milk products by regulating quota transfers and by providing product promotion and advertising.

There are 3 methods used for quota transfer within the Quebec dairy industry: quota sale system (CQSS), the sale of a complete production unit, and finally, within family transfer. The Federation administers fluid milk quotas, and industrial milk quotas called market share quotas (MSQ). No producer may market fluid milk unless he holds both fluid quota and MSQ.

In order to maintain a dairy operation, an industrial milk producer must hold quota equal to at least 1,600 kilograms of butterfat per year. If a producer ceases to market milk for one month, then both his fluid quota and MSQ may be cancelled by the Board.

B. Quota Purchase Rules and Procedures

In order to buy or sell quota through the CQSS, a producer must telex his bid to purchase or his offer to sell during the period between the 17th of one month to the 7th of the following month. The market clearing price for each type of quota will be determined using the computer within 10 days from the end of the bidding period is over (i.e., by the 17th of the second month).

The operation of the CQSS is based on two principles: all sellers are willing to receive a higher price than their offer to sell and all buyers are willing to pay a lower price than their bid to purchase. Transactions will be completed by all those producers with offers to sell that are equal to or less than the market clearing price and all those buyers with bids to purchase that are equal to or greater than the market clearing price.

The minimum amount of used and unused MSQ that can be offered for sale through the CQSS is 200 kilograms of butterfat. The minimum amount for a bid to purchase used and unused MSQ is 50 kilograms of butterfat. Furthermore, a producer must not offer for sale a quantity of quota that would bring his quota below the minimum maintenance requirement for a dairy operation. The maximum amount of MSQ that a producer can purchase during a dairy year is 2,500 kilograms.

No producer may place an offer to buy and an offer to sell the same type of quota during the same month.

Producers who receive quota through transfer or through allocation must hold the quota for at least 6 months before re-transferring the quota.

There is a 10 percent reduction applied to each type of quota offered for sale through the CQSS and through the sale of a complete production unit.

C. New Entrant Programs

New producers who want to enter the dairy industry can purchase quota through the CQSS. Industrial milk producers may obtain fluid quota in an amount no greater than 17 percent of their MSQ.

There is a program administered by the Federation for for the integration of industrial producers into the fluid market. Annual integration of producers is directly related to the amount of increase in fluid milk sales.

In order to be eligible to receive fluid quota from the Federation, industrial producers must have produced milk with at least 3,500 pounds of butterfat for 2 years prior to entry into the fluid market.

Producers may not use the CQSS to sell the free fluid quota that they received upon integration until a period of 5 years has passed.

In 1984, 321 producers were integrated into the fluid milk sector. Between the years 1979 and 1984, there were 4,551 producers integrated into the fluid milk sector. At the end of 1984, there was a queue of 1,242 producers waiting to be accepted for integration. These producers can still purchase fluid quota while maintaining their right to receive fluid quota for integration.

D. Allocation Rules Governing Changes in Total Quota Stock

The Federation reserves the right to increase or decrease each producer's MSQ on a pro rata basis in order to conform to changes in the national MSQ plan.

E. Ownership and Rental of Quota

Quotas are the property of the producers. Rental of quota is not permissible. It is possible to will quota to a member of the immediate family.

F. Changes in Industry Structure

In 1984, before the CQSS was established, the average price for unused MSQ was $20.20 per kilogram and the average price for used MSQ was $14.29 per kilogram.

The total number of producers in the Quebec dairy industry in 1980 was 21,755. By 1984, the number of milk producers had decreased to 18,251.

The average production per producer in 1980 was 129,025 litres. In 1984, the average production per producer was 164,819 litres.

INDUSTRIAL MILK - NEW BRUNSWICK

A. Background

The goals of the New Brunswick Milk Marketing Board are to maintain the family farm, to ensure horizontal equity among producers, and to market the maximum amount of milk with the minimum amount of levy.

Quota may be transfered among producers through the Quota Exchange, through the sale of an ongoing operation, or through the sale of a dairy herd.

Producers must produce at least 90 percent of their individually allocated market sharing quota (MSQ) within a dairy year. If a producer fails to produce at least 90 percent of his MSQ, then his quota for the following year will be 111.1 percent of his MSQ shipments acheived during the preceding year. This maintenance requirement is waived on unused MSQ purchased on May, June and July Quota Exchanges.

B. Quota Purchase Rules and Procedures

Board approval is required for all quota transfers. Quota must be transferred in its entirety when the method of transfer is sale of an ongoing operation or sale of a herd. Quota that is offered through the Quota Exchange may be transferred in part.

The only eligibilty restriction for bidding on the monthly Quota Exchange is that producers possess a letter of credit proving financial stability. All offers to sell and bids to purchase must be sent to the Board in letter or telex form. Producers with bids to purchase that are equal to or greater than the market clearing price will be able to buy quota. Similarly, producers with offers to sell that are equal to or less than the market clearing price will be able to sell quota. Producers are not allowed to offer to sell or bid to buy the same type of quota on the Exchange during the same month.

There is a 15 percent transfer assessment fee on all quota transfers except for those between members of an immediate family.

A producer who receives MSQ through the purchase of an ongoing dairy operation must continue to produce milk for a period of 24 months after the change of ownership. A producer who receives MSQ with the purchase of a complete dairy herd may not transfer any MSQ for a period of 12 months from the date of the sale.

The maximum combined amount of fluid milk quota and MSQ that a producer may purchase is 3,000 litres per day. The minimum amount of MSQ that an industrial milk shipper may hold is 1,590 kilograms of butterfat (44,010 litres of milk containing 3.6 kilograms of butterfat per hectolitre). A cream producer must hold MSQ of at least 190 kilograms of butterfat.

C. New Entrant Programs

There is no new entrant program in the New Brunswick dairy industry. There is, however, a Graduated Entry Program which permits industrial milk shippers and cream shippers access to the fluid milk market.

In order to qualify for the Graduated Entry Program, an applicant must have produced milk or cream for a period of at least 2 years prior to the date of application. A producer is not eligible, however, if he has previously held fluid milk quota and lost it either through transfer or cancellation by the Board. Applications must be received by the Board by May 15 of any year for entry on August 1 of that year.

Upon receiving fluid quota through the Graduated Entry Program, producers must exchange an equal volume of MSQ for the daily fluid quota. The fluid quota will be allocated to the producers in equal installments over a period of 5 years. The total amount of fluid quota allotted to a producer must not exceed 90 percent of his total annual quota.

A producer may transfer his right to receive quota through the Graduated Entry Program to a member of his immediate family.

A Graduated Entry producer must retain all the fluid quota attained by him or allotted to him for a period of 6 months after the date of entry into the program.

D. Allocation Rules Governing Changes in Total Quota Stock

There are two factors which would cause expansion of the total stock of quota: an increase in the consumption of milk and dairy products, and the need to stimulate production.

Any adjustments in the total stock of quota will be applied to existing producers' quotas on a pro rata basis.

E. Ownership and Rental of Quota

All quotas are the property of the New Brunswick Milk Marketing Board. Quotas may not be rented in New Brunswick. Rental of quota is not permitted because the Board feels that it would lead to additional costs and large fluctuations in production.

Quotas may not be used as collateral nor pledged as security. It is possible, however, to will quota to an outside party.

F. Changes in Industry Structure

In June 1983, the Quota Exchange price for unused MSQ was 55.9 cents per litre and the price for used MSQ was 35 cents per litre. In June 1986, the Quota Exchange price was 60 cents per litre for unused MSQ and 40 cents per litre for used MSQ.

There are presently 502 milk producers in New Brunswick and 187 cream producers. In 1980, there were 522 milk producers and 446 cream producers.

The current average size of a dairy farm in New Brunswick is 79 cows. In 1980, there was an average of 72 cows per farm.

INDUSTRIAL MILK - NOVA SCOTIA

A. Background

The main objective of the Nova Scotia Dairy Commission is to ensure horizontal equity among producers.

Market sharing quota (MSQ) can only be purchased on a Quota Exchange for milk and cream producers. A new or existing cream producer can acquire additional MSQ by purchasing the complete herd of an exsiting cream producer.

In order to maintain quota, a producer must fill at least 90 percent of his allotted MSQ. If a producer ships industrial milk in excess of 100 percent of his MSQ, then he must pay to the Commission a fee equal to $34.38 per hectolitre of over-production.

B. Quota Purchase Rules and Procedures

MSQ is only transferable among producers through the Quota Exchange. Furthermore, only unused MSQ may be sold on the Exchange. Producers wishing to buy or sell unused MSQ on the Exchange must notify the Commission of their offer by the 18th of the month in order to participate in that month's Exchange. The Exchange operates between April 20th and July 20th of each year. All MSQ sold on the Quota Exchange is subject to a 5 percent assessment fee.

A producer who sells MSQ through the Exchange has priority to apply to repurchase up to the same amount of MSQ for a period of 12 months from the date of the sale. Requests for repurchase are given priority according to the date of application.

Transfers of MSQ among members of the immediate family are possible with the approval of the Nova Scotia Dairy Commission.

A fluid milk producer who has sold all his fluid quota may apply to the Commission to begin shipping industrial milk. The Commission may then allocate MSQ based on the size of the herd held by the producer. A producer who receives MSQ under these circumstances may not transfer the MSQ for a period of 2 years. No producer may ship milk to a processor on the basis of a MSQ allotment that is registered in the name of another producer.

Producer quotas for shipping to each processing plant cannot be transferred for shipping to another plant. If a producer moves to another farm which is not within the pick up area of the plant to which he was shipping, then he must re-purchase quota that applies to the new plant.

The minimum allotment of MSQ to a fluid producer is an amount that is sufficient to enable a producer to ship 110 percent of his August 1st fluid quota during the MSQ year. A producer may not offer for sale an amount of quota that would result in his remaining quota being less than 110 litres per day. The minimum amount for an offer to purchase MSQ through the Exchange is 600 litres. There is no maximum restriction on the amount of MSQ that may be offered by a producer.

C. New Entrant Programs

A producer who does not currently hold MSQ and who is purchasing a complete dairy farm will be allotted the MSQ held by the previous owner.

The Commission does not maintain a list of new producers waiting to gain entry into the industry. However, if producer has been shipping cream continuously since July 1976, his application for fluid quota will be considered.

On average, two new producers per year gain entry into the industry.

A producer who wishes to expand his operation above the current level must do so without a formal program.

D. Allocation Rules Governing Changes in Total Quota Stock

All increases in the total stock of quota are allocated to existing producers. If decreased consumpstion of milk caused a reduction in the total stock of quota, then all individual producer quotas would be cut by an equal percentage.

E. Ownership and Rental of Quota

All MSQ is the property of the Nova Scotia Dairy Commission. Some lending institutions in Nova Scotia will accept a statement from a producer which allows the lending institution to have first claim against the value of the quota in the case of default. It is possible for a bank to repossess a producer's quota through court action. There are no restrictions concerning the willing of quota to an outside party. The new owner of the quota would be responsible for maintaining shipments or the quota would be cancelled.

Quota cannot be rented. The Commission has not received any indication that producers are interested in having quota available on a rental basis. The Commission is of the opinion that rental of quota would only complicate the present system.

F. Changes in Industry Structure

In 1981, there were 959 producers in the Nova Scotia dairy industry. In 1985, the total number of producers in the dairy industry was 836 with 625 of the producers holding quotas for both the fluid and industrial markets and the remaining 211 producers holding quotas entitling them to ship farm separated cream.

INDUSTRIAL MILK - PRINCE EDWARD ISLAND

A. Background

The Prince Edward Island Milk Marketing Board administers both industrial milk quotas (MSQ) and fluid milk quotas (Class I quotas). In this section, only the rules and regulations concerning industrial milk quotas will be discussed.

There are 3 possible ways to transfer quota: between members of an immediate family, between the seller and buyer of a complete production unit, and between producers on the Quota Exchange.

In order to maintain quota, a producer must market at least 95 percent of the amount of butterfat specified by his MSQ during a dairy year. If a producer markets less than 95 percent, his MSQ will be reduced by the amount of the shortfall. Producers who fail to deliver milk for 3 consecutive months will lose their quota.

Producers who deliver milk equal to more than 98 percent of their quota will be subject to an over quota levy of 34.38 cents per litre.

B. Quota Purchase Rules and Procedures

All quota transfers are subject to Board approval. In the case of a transfer between a seller and a buyer of an ongoing dairy farm, Board approval is conditional on the new owner of the farm marketing all milk from that location for a period of 24 consecutive months from the date of the transfer. If the new owner fails to comply with this restriction, the transferred quota will revert back to the Board. If the new owner was a registered producer before the purchase of the farm, then the quota transferred will be subject to a 15 percent transfer assessment. The transfer assessment is waived when quota is transferred to a new producer or to a member of the immediate family.

There are two Quota Exchanges for industrial milk quota: one for used MSQ and one for unused MSQ. Only registered producers who hold MSQ are permitted to use the Quota Exchange.

The monthly Exchange operates by equating the amount of quota offered for sale and the amount of quota desired for purchase to determine the market clearing price. There is a $3.00 service charge payable to the Board for each offer to sell and bid to purchase submitted to the Exchange. Producers who cancel or change their offers must pay an additional $3.00 to the Board. Furthermore, there is a 15 percent transfer assessment applied to all quota offered for sale on the Exchange. The ceiling price for offers to sell or bids to purchase during the 1984-85 dairy year was $10.00 per kilogram.

The maximum amount of MSQ that an individual may hold is 18,000 kilograms of butterfat per year. Quota in excess of 18,000 kilograms of butterfat may be issued by the Board to farms with two or more joint owners.

C. New Entrant Programs

It is possible for a Class I milk producer to convert his fluid quota to industrial quota if he is retiring and wishes to sell MSQ on the Quota Exchange.

New producers may enter the industry through the purchase of an ongoing operation or through the transfer of quota from a family member.

D. Allocation Rules Governing Changes in Total Quota Stock

The Board reserves the right to increase or decrease producers' quotas to reflect changes in consumption of dairy products and in the total stock of quota.

E. Ownership and Rental of Quota

All fluid milk quotas and industrial milk quotas are the property of the Board.

F. Changes in Industry Structure

In 1982, there were 519 dairy farmers in Prince Edward Island who only shipped industrial milk. In 1935, there were 468 producers who only shipped industrial milk.

ECONOMIC EFFECTS OF THE REGULATIONS

Overview of the Analysis

In analyzing the economic efficiency of specific quota allocation and transfer schemes we can separate the effects of the various rules and regulations into two groups—(a) those that affect average farm efficiency by raising most individual farms' costs, and (b) those that affect aggregate industry efficiency by altering the mix of farms which compose it. This grouping is somewhat arbitrary, and some rules, regulatory procedures or restrictions fall into both groups, but even so, the distinction is useful in identifying and clarifying the economic nature of various restrictions.

To determine the effect of these rules on farm efficiency one must determine what the scheme does to farm-level marginal costs of producing that commodity. In other words, what restrictions on normal efficient farm decision-making are imposed by the provisions of a given provincial quota scheme, in addition of course to the inherent restriction of output by the quota? Some examples of quota transfer rules which increase farm costs are a constraining limit on maximum farm size or the tying of the quota to a particular set of farm assets, including geographical location.

However, the second dimension of economic efficiency is the effect of the quota transfer rules on the industry as a whole. Some provisions affect only certain groups of farms, and hence change the make-up of the industry. For example, a restriction which prevents regional transfers of quota will raise aggregate industry costs by maintaining more production in the higher cost regions and less in the lower cost ones, even though the rule may not change the input mix or decision-making on individual farms. This problem is likely to be very important when provincial Boards, instead of individual quota buyers and sellers, make the decisions about which farms shall make up the industry and how much they shall produce.

Illustrating These Economic Efficiency Effects

These effects can be illustrated in the following supply and demand diagrams. In the first instance, rules which alter individual farm decisions will increase farm costs or reduce farm efficiency. This upward shift in farm marginal cost curves when aggregated will shift the industry supply curve upward or to the left. In Figure 1 this is shown as a shift of the supply curve from S to S'. This class of rules will result in a loss in producer and perhaps consumer surplus (economic efficiency loss) as illustrated by the area ABB'A'. The size of this area or efficiency loss will depend on the extent to which the rule really affects farm costs (the size of the shift from S to S') and the shape of the demand curve. This cannot be determined a priori but must be empirically investigated on a case by case basis, bearing in mind the degree to which the restriction is enforced and the effect of the rule on farm costs.

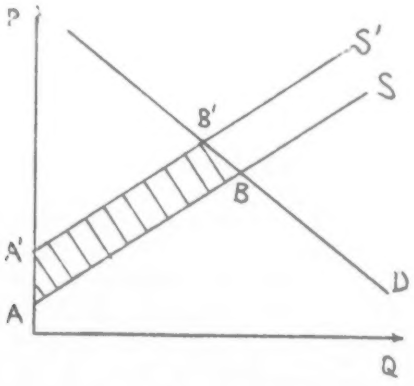

Figure 1

In the second instance, the group of rules which alter the composition of farms in the industry, thereby reducing its efficiency, will change the shape of the industry supply curve. The lowest cost farms may still be present but there will be more high cost farms in the industry due to those rules. At some point along the supply curve, the curve will become steeper as higher cost farms become more numerous than without those rules. This is illustrated in Figure 2 as a tilting of the supply curve upward from some point such as A, from which it becomes S'. The producer and consumer surplus loss from imposing this class of rules is shown again as the distance between the new and old supply curves, now area ABB'. The size of this loss depends upon the extent to which the rules are enforced, the selective nature of the rule (the degree to which lower cost farms are excluded from the industry), and the shape of the demand curve. Its measurement requires a case by case empirical examination.

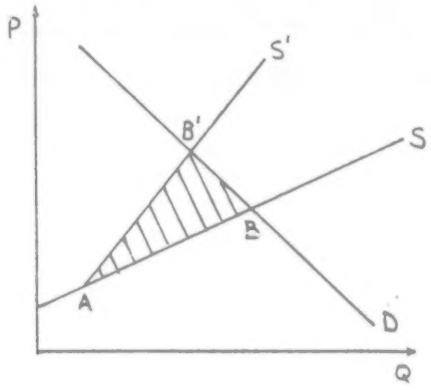

Figure 2

Ideal Scheme for Maximum Economic Efficiency of the Industry

Before examining the rules in detail, a useful reference point would be to identify the type of quota transfer scheme which would generate maximum economic efficiency. First, it would impose no restrictions which increase farm costs; it would leave farm decision-making largely unaffected. This requires that quota transfer rules let farmers decide how to organize, operate, locate and finance their farm at lowest cost and greatest profit, subject to each farm being constrained by a quota. The scheme should impose no rules which force farmers to use different inputs, farm at different locations, use different sources of funds or produce different products than they would in the absence of the particular quota transfer rules.

Second, rules should treat all farmers the same, so that the industry includes only the most efficient, lowest cost producers, each producing at the level he or she chooses. This requires all regions on an equal regulatory footing, and the industry open to new entrants with as few restrictions as possible. This would be accomplished by an open, competitive market for the quota, subject only to Board rules that the market remain competitive and open to all. Furthermore, the most efficient national industry would result if this market for quota was national in scope, accessible by farmers in all provinces. Such a large market would also be most likely to be a competitive market.

Catalogue of Restrictions

Some flavour of the current quota transfer schemes and their economic effects of special interest to this study (they are six in number and underlined below) can be given by reviewing the types of restrictions generally imposed. We proceed here (and later in the provincial and commodity analyses) by analyzing the effects of each restriction in terms of its effect of farm production costs, and also its effect on changing the composition of farms in the industry. These two effects give us the resource allocation effects of the rule or scheme, as described above. Similarly, by knowing the effect on farm costs, we therefore know the effect on quota values[1]. Some quota transfer rules are quite specific about their restrictions on farm size, and the only remaining issue is whether the constraint is effective or binding[2]. Finally, once we know whether the quota transfer rules limit farm size we also know their effect on the number of farms in the industry, because the total size of the provincial industry is fixed at the level of the allotted provincial quota.

Ten general types of restrictions have been identified across the ten provinces and five commodities studied.

1. Quota tied to farm assets and/or location

The least cost input combination is potentially restricted by tying the quota or output of a farm to specific inputs such as land. Quota may sit on a particular land parcel for historical reasons, but the quota now may be not well situated with respect to the market, nearby urbanization, or important inputs. Similarly, least cost production may involve physical facilities or a ratio of owned assets to output which is different from that required in the quota transfer rules. As a result, relative to an unrestricted system of quota transfer, this type of rule increases resource allocation costs, reduces quota values, hampers new entrants, and generally preserves the existing pattern of farm size and numbers.

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[1] Although the valuation of quotas is complex in its details, its fundamentals are straightforward. With a given (expected) path of market prices, the value of the quota will depend primarily upon the level of farm marginal costs, and the effects of quota transfer schemes on quota values will depend largely on their effects of farm costs. The effects of the quota transfer rules on other factors in quota valuation, such as the policy or default risk of holding the quota and expected new quota allocations, is likely to be secondary.

[2] There is no presumption that large farms are most efficient, but if a farm size limit in fact constrains some farms from growing or entering the industry, the provision makes the industry higher cost and less efficient. If small farms are indeed most efficient, these size restrictions are non-binding and redundant. But if that were the case, the restrictions probably would not have been introduced and we would not observe larger farms in unregulated jurisdictions. As it happens, the schemes with the tightest farm size restrictions are also those with the most additional restrictions which themselves reduce economic efficiency.

2. Quota allocated solely by the Board at their discretion

A number of Boards reserve the right to allocate all quota, usually with reference to some variable of interest such as "need", farm size, or regional location. This allocation mechanism reduces industry efficiency, generally changing the composition of the industry by selecting less efficient farms but not altering decision-making of typical individual farms to make those farms more inefficient. This increases resource allocation costs and reduces quota values, and affects farm size and numbers depending upon the Board's criteria for allocation.

3. Maximum quota holding/farm size restriction

This farm size restriction prevents any potential economies of size from being exploited, and can raise individual farm costs accordingly. If farms smaller than this size are competitive, this restriction can raise costs selectively across farms by inhibiting would-be lower-cost large farms. This will steepen the industry supply curve, making the mix of farms in the industry higher cost at the margin. With these potential resource allocation costs, this measure is likely to decrease quota values. If the farm size restriction is effective, average farm size will fall and the number of farms in the industry will increase.

4. Quota buyer must be financially independent

This widely-applied measure is a means of preventing the vertical integration of farms with input suppliers and/or processing firms. If these forms of vertical integration reduce costs, those lower cost farms and business arrangements are potentially denied access to the industry, making it less efficient. Compared to unrestricted quota transfer, this rule potentially increases farm costs, selectively denies access to the industry, increases resource allocation costs, and reduces quota values. It is probable that it also reduces average farm size, hence increases farm numbers.

5. Regional transfer restriction

This rule is also commonplace, and protects those farms in higher cost regions by preventing their quota from being purchased by farms in other (lower cost) regions. Conversely, it limits the amount of production which can take place in the more competitive regions, resulting in a less efficient industry composition. By selectively restricting access, this rule increases resource allocation costs and reduces quota values in the industry. The effect on farm size is unclear, but it is likely to reduce average size, increasing farm numbers.

6. No partial sales

This rule restricts quota transfers to the sale of complete farms. In doing so it makes it considerably more costly for farms to consolidate and keeps existing farms at less economic sizes. It also makes access more difficult for new entrants who may not grow incrementally, and it removes the opportunity for firms to increase or decrease production profitably across or within years in response to temporary circumstances. The measure increases farm costs and reduces industry inefficiency in the short to intermediate run, to increase resource allocation costs and reduce quota values. Farm size effects are ambiguous.

7. No rental or very restricted rental

This rule works similarly to the restriction on partial sales. It removes an advantageous means of making short term adjustments in production levels, increasing farm costs in the short run and making quota transfer more of a long run decision. This restriction on short run adjustments makes the composition of industry output less efficient, imposes resource allocation costs, reduces quota values, limits access to quota purchasers, but has ambiguous effects on farm size and numbers.

8. Farm residency (operator) and provincial residency requirement

These rules, requiring purchasers to be farm residents, farm operators, or provincial residents, could keep out of the industry more efficient managers. As a result, they reduce industry efficiency by making the composition of farms in the industry potentially higher cost. These measures can increase resource allocation costs, lower quota values, make access more difficult to some new entrants, but with no obvious effect on farm size or numbers.

9. No quota value in transfer

This requirement is an attempt to hide the inherent value of the quota, and as such, simply adds costs to transferring firms and inhibits transfers to some extent. The effect will be also to obscure the useful information of quota values from all industry participants. The result will be a less efficient allocation of production and added resource allocation costs. Obviously quota value will be better hidden, and the real quota value will be somewhat reduced by the added transfer costs imposed. Farm size effects are once again ambiguous.

10. Resale restriction

The restriction on reselling quota only after a given period of time is another measure which makes the potentially most efficient and appropriate transfers of production less rapid. Therefore, it decreases industry efficiency in the short run, increasing resource allocation costs and reducing quota values. This measure is usually imposed to avoid speculation in the quota during a period of rapid price increases, but is unlikely to be effective in achieving its goal. There usually is no shortage of farm operators willing to speculate and hold the quota, helping to bid up its price despite this restriction.

Next we analyze the quota regimes in each commodity, by province. The results of each scheme will depend on which of the above restrictions are imposes, and how the particular package of rules functions. As in the previous descriptive material, we begin with turkeys, followed by eggs, broilers, fluid milk, and industrial milk.

Economic Effects by Commodity and by Province

A. TURKEYS

1. B.C.

The B.C. turkey industry features a reasonably open, hence reasonably efficient, mechanism for quota transfer and sale. There are restrictions on both farm size and ownership (equity funding sources must be financially independent of the rest of the turkey industry) in order to preserve family farms and prevent vertical integration, respectively, but few other restrictions of importance.

These two restrictions, favouring smaller farms and prohibiting integrated operations, will keep production costs higher and industry efficiency lower than would otherwise be the case. Judging from the size and integration of turkey farms in unrestricted jurisdictions, these rules do have some effect, but the extent to which farm size and vertical integration are actually reduced, or economic costs increased, are not yet known. By reducing potential profits, these restrictions will reduce quota values, and by favouring smaller farms, the size restriction will increase the number of producers. But these rules appear to do nothing to discourage new entrants.

2. Alberta

Alberta is one of at least four provinces which do not allow turkey quota to be purchased or sold independently. The quota is tied to existing facilities (land and buildings) and will be allocated by the Board to a new buyer of those facilities. Owners can expand by buying a new farm, with quota, and later consolidating it with their own operation after two years of production on the newly purchased site. There is a size restriction, and when new quota is allocated, preference is given to smaller producers.

These rules hamper the allocation of production to lowest cost producers, and will decrease significantly the economic efficiency with which this industry operates. In raising the costs of the average producer, the value of the quota, however obscured by tying its sale to that of farm facilities, is reduced, farm size is reduced more substantially than in B.C., the number of producers is therefore increased, and new entrants face lower capital costs in terms of the quota component but are discouraged by having to buy an existing, not likely their chosen, bundle of assets and location. The net effect of these rules is to sacrifice considerably the competitiveness and economic efficiency of the province's turkey farmers.

3. Saskatchewan

Quota regulations in Saskatchewan are even more restrictive than those in Alberta. Once again, quota is not freely traded and is allocated by the Board. On paper, the Board is more powerful than most and has the power to reallocate quota each year, although in practice quota appears to be tied to land parcels and production facilities like Alberta. However, there are added restrictions on farm size, residence, owner-management, and operations per manager; in addition, financial ties with the rest of the industry is proscribed and smaller producers are given clear preference in quota allocations.

These rules have economic effects similar to those in Alberta, but, by reducing the scope for independent farm-level decision making, they further raise farm costs and lower industry efficiency still more. Quota values will be lower as a result, farm size will be smaller, and the number of turkey enterprises in this province will be greater. The effect of these rules on new entrants is negative because of all the restrictions placed on buying and operating a turkey enterprise, but by placing entrants high in a priority list for allocations of new quota, the scheme probably would be attractive to prospective new entrants in those years when new quota is available.

4. Manitoba

Turkey quota in Manitoba cannot be freely traded; it is tied to specific production facilities, and the Board both owns and can allocate the quota. The Board will re-allocate quota to the buyer of an on-going turkey operation (production facilities), provided there is no value for quota in the sale value. When facilities are rented, quota can be included for temporary periods, again subject to there being no value for quota in the rental. There are restrictions on farm size via maximum quota holdings, at an output level which is smaller than usual.

The economic effects of these rules are most similar to those in Alberta, except that Manitoba is more concerned about obscuring a value for quota. These rules will result in increased farm costs and reduced industry efficiency, reduced quota values, smaller turkey enterprise sizes and a larger number of such enterprises. As in Alberta, these rules do not favour new entrants.

5. Ontario

Turkey quota in Ontario can be transferred easily. There is a free market for buying and selling quota which is served by brokers, although Board approval is not automatic. Rental is not permitted. The Board does require the buyer to own, not rent, suitable buildings and equipment, and there is a restriction on maximum farm size which is relatively liberal. There are no regional transfer restrictions, no restrictions on partial sales, and quota can be willed or used by banks as collateral.

These provisions make for an efficient quota allocation regime. Unless the Board is restrictive in what it requires in order to meet its definition of "suitable buildings and equipment", the scheme imposes few additional costs on farmers. As a result, quota values, farm numbers and farm size will be largely unaffected by these rules. New entrants will be deterred by the lack of rental opportunities for quota or buildings and equipment.

6. Quebec

Turkey quota also is freely transferable in Quebec with few restrictions. Transfer via sale or rental takes place on a public auction. The notable restrictions are that (a) non-family corporations cannot buy, (b) there is no interregional quota transfer among three regions, (c) there is a maximum farm size, and (d) buyers or renters must have ownership of a certain percentage share of the necessary facilities, and (e) the quota auction operates only four times per year.

The net effect of these restrictions is a fairly efficient transfer of quota and production. The facilities ownership requirement and quota rental options are less onerous than those in Ontario, lowering barriers to new entrants. But the corporate, regional, farm size and infrequency of quota auction restrictions will raise average farm level costs, reduce quota values, reduce industry efficiency, reduce average farm size and increase the number of producers in the industry.

7. Nova Scotia

Quota regulations in Nova Scotia are similar to those in the Prairie Provinces in that quota cannot be sold or purchased freely or independently. Quota is tied to the production facilities, and can be transferred only if production facilities are purchased and operated. Even then the transfer is subject to Board approval and there are additional restriction in terms of (a) maximum farm size, (b) financial independence of buyer to prevent vertical integration, and (c) lease arrangements which include facilities are initially acceptable for quota transfer, but full ownership must be acquired within 3 years. Quota is owned by producers and can be used as collateral.

The economic effects of these rules are again similar to those in Alberta. The restrictions on expansion (contraction) of existing farms or the entry and exit of farms increases farm-level costs considerably and decrease industry efficiency accordingly. Quota values will be lower because of this, as will average farm size, while the number of producers will be larger. New entrants will be encouraged only by the short-term rental possibilities.

B. EGGS

1. British Columbia

Egg quota trades with moderate restrictions in B.C. They are freely traded privately, but Board approval is condition upon the purchaser abiding by certain restrictions. The buyer's financial arrangements cannot include ownership of any other part of the egg industry, there is a maximum quota which the buyer cannot exceed, there is one regional transfer restriction, rental is not possible, and there is no resale of quota for 2 years.

These rules have relatively modest effects on the economic efficiency of this industry, largely due to farm size and vertical integration restrictions which raise average farm costs, reduce the quota value, decrease average farm size, and increase the number of egg enterprises. New entrants may be deterred by the lack of rental arrangements but otherwise are not disadvantaged.

2. Alberta

Quota transfer restrictions are substantial in Alberta, with negative economic effects on the industry. Quota is not freely traded or rented; because it is tied to facilities on specific land parcels, it can be transferred only upon purchase of an on-going operation, subject to Board approval. There can be no value attached to the quota, the quota must be transferred in its entirety, the transfer is subject to the maximum farm size (which is relatively small), and there are strict penalties for producing less than one's quota.

Tying quota to production facilities always is very costly in terms of raising average farm costs. In this case, these costs are only partially offset by allowing interregional quota movement after three years of production in its original location. In sum, these regulations raise farm costs, reduce industry efficiency, reduce the quota value, reduce farm size, increase the number of producers and inhibit new entrants.

3. Saskatchewan

Quota regulations are very similar to those in Alberta, above, except that (a) the Board seems to have greater powers in determining quota reallocation (for example, by requiring "financial independence" of purchasers to prevent vertical integration or by allocating quota to would-be buyers on a waiting list), and (b) rental of quota, with facilities, is permitted. The added powers under (a) decrease industry efficiency, partially offset by the increased flexibility offered by rentals. As a result, the conclusions about the economic effects of Alberta egg quota rules apply to Saskatchewan. Rental possibilities increase the attraction of the industry to new entrants.

4. Manitoba

Egg quota regulations in Manitoba are similar to those in Saskatchewan, but with the Board listing a wider set of powers. In approving transfers, evidence is required that no value was attached to quota, and the Board conducts an ongoing monitoring of farm operations to enforce rules regarding certification of facilities, egg quality, levy payments, completed reports to the Board, and production within quota. Consequently, the economic effects of this regime are similar to those of Alberta and Saskatchewan. It is one of the most regulated regimes, raising farm costs and reducing industry efficiency considerably unless Board regulations are not enforced. If quota values were visible, they would be reduced due to the increased cost of egg production. In addition, farm size is reduced, the number of producers is increased, and new entrants are inhibited.

5. Ontario, Quebec

Ontario and Quebec are so similar in their quota regulations that they are discussed here together. Egg quota trades freely with market prices and without ties to physical facilities. In both provinces, initial offers to sell quota are restricted to buyers in the same region but, after an initial period, the quota can be sold without regional restrictions. There are maximum quota holdings in both provinces, 30,000 layers in Ontario and 50,000 in Quebec. There is a time limit within which newly-bought quota cannot be re-sold. In Ontario, the Board reserves the right to make a transfer assessment, to buy 10% of any transfer at a fixed price. In addition, it is one of the few boards to have a clear rental policy: up to 10% of one's quota can be rented for a period between 12 and 30 months, and upon lease termination, the producer must produce at least 90% of his quota for at least 2 years (or be forced to sell his quota to the Board). In Quebec, although Board approval is necessary for a transfer, quota is the property of the producer, and as such can be rented, willed or used as collateral.

These regulations place few restrictions on the purchase of quota, and as such do little to alter producers' own decisions to expand or contract, enter or leave their industry. As a result, they do little to raise producer's costs or reduce industry efficiency and so are generally desirable quota management systems as far as their economics are concerned. By keeping farm costs low and quota trading open, they neither obscure nor reduce quota values. Farm size is constrained by respective maximum quota holding rules, increasing farm numbers accordingly. Neither province sets rules to favour new entrants; they are free to buy their quota and enter the industry. Although quota prices represent a financing barrier, this problem derives from net egg prices, not the presence or lack of Board programs and regulations.

7. Nova Scotia

Egg quota can transfer freely in Nova Scotia, with or without facilities.

Board approval is necessary, but little information was received regarding the criteria the Board would follow in choosing to veto a sale. There is a maximum quota holding restriction, and the usual over-quota production penalties. Because quota is owned by producers, it can be willed, used as collateral, or rented. The rental policy is the most detailed of all provinces and commodities. The important features are threefold, (a) with the exception of renovations, quota can be leased only once during the lifetime of the owner and then only for a 12 month period, (b) upon termination of the lease, production by the owner must resume within 30 days (or Board takes possession and producer must buy it back at the current price), and (c) the Board charges a commission of 10% on the rental price.

Because these regulations do not raise farm costs or reduce industry efficiency unduly, they are also relatively efficient means of managing a quota system, assuming Board approval on transfers is not very restrictive. Quota values will not be reduced by these policies. Farm size is restricted by the maximum rule, although it is a larger maximum than most provinces and hence its effects on limiting average size or increasing the number of producers are likely moderate. New entrants are neither favoured or harmed by these rules. As in the case of Ontario and Quebec, this is generally a commendable set of quota rules.

8. Prince Edward Island

The Board exercises unusual control in the transfer of egg quota in PEI. Quota is not tied to specific land parcels, but is allocated by the Board itself on the basis of local self-sufficiency to individuals deemed to be "in most need". Among applications for transfer, the Board will give priority to new entrants and smaller producers, requires buyer to be a PEI resident from a "family farm", and requires financial independence of the egg industry to avoid vertical integration, evidence of "adequate financial capability", and adherence to both the maximum size and one quota per family rules. Previous production experience is not considered. Regional transfers are not possible until the producer has been operating for at least 3 years in the original location. The Board can levy a transfer assessment fee of 10% of the quota for reallocation by the Board. Quota is the property of the Board and cannot be rented, only temporarily allocated by the Board.

This regime appears to be one of the most economically inefficient of those in all provinces. The wide powers of the Board reduce decision-making authority and flexibility at the farm level, to increase farm costs and reduce industry efficiency considerably. Quota values and farm size are both reduced by this regime, increasing the number of producers. New entrants are explicitly favoured.

9. Newfoundland

Quota is allocated by the Board in Newfoundland, but it is also attached to specific production units. Therefore, the quota can be transferred by sale of the production facilities. Partial transfers are feasible subject to Board re-allocation priorities (e.g., smaller producers). There is no regional restriction, but there is a maximum quota holding. Because the Board owns the quota, it cannot be rented, used as collateral, or willed outside a family.

This system is restrictive; quota is tied to physical facilities, it is difficult for existing producers to expand, and entrants are subject to the

Board's reallocation preferences. This will increase farm level costs, decrease industry efficiency, reduce implicit quota values, reduce farm size, increase the number of egg enterprises, and offer no advantage to new entrants unless they rose to the head of the existing queue and were favoured by the Board in a reallocation.

C. BROILER CHICKENS

1. British Columbia

Chicken quota in B.C. is tied to specific production units and can be traded in whole or in part with sale of the facilities, unlike the situation prior to 1970 when it was freely traded. Approval by the Board still is required, with application 4 months prior to intended sale and with transfer fee. To diminish further any speculative activity, there can be no resale for 2 years after a transfer. Other restrictions include regional transfer rules to prevent concentration in the Lower Mainland, buyers must be financially independent, and there is a maximum quota holding. Independent rental is possible for one production cycle per year, and rental with facilities is not restricted.

These rules incorporate many other objectives than industry efficiency or competitiveness. As a result, farm production costs and industry efficiency are harmed, primarily by tying quota to specific production units, and restricting vertical integration, maximum size and regional quota movement. Quota values will be reduced, average farm size diminished, chicken enterprises increased in number, and new entrants largely unaffected by these regulations.

2. Alberta

Quota is also the property of the Board in Alberta, but here it cannot be bought, sold or leased. It is tied to production facilities and the buildings must be purchased or leased to transfer quota. The Board also can allocate quota according to a priority list of existing producers, with preference to those smallest. A farmer can expand by buying additional land and buildings, produce there for at least 2 years, then consolidate to one facility. There is a maximum quota holding, a 5 year resale restriction, quota cannot be rented separately, used as collateral or willed.

Like the quota rules in B.C., these rules are restrictive and result in increased farm costs and reduced industry efficiency. Quota values will be reduced, average farm size reduced, the number of chicken enterprises increased, and new entrants neither encouraged or discouraged, given the general level or restrictions imposed.

3. Saskatchewan

In this province, chicken quota also cannot be freely traded, and the rules for its transfer place almost complete authority in the hands of the Board. Quota is attached to a particular production unit, and transfer of quota with sale of the facilities is subject to the Board being satisfied that there is no value attached to the quota. More importantly, the Board renews quota annually and can reallocate quota at its own discretion at any time. Other restrictions include a residency requirement, a resale restriction, and a maximum quota holding. Quota can be leased if facilities rented and if there is no rental fee attached.

If enforced as written, these rules impose more uncertainty on chicken producers than simply tying quota to premises, to raise farm costs and reduce industry efficiency even more than in the case of the two previous provinces. Implicit quota values will be reduced, farm size will be reduced, and chicken enterprises increased. New entrants may be encouraged by this scheme if they receive enough actual priority in Board reallocations. The prohibition of a value for quota is likely to have little effect on the true value of the quota or on exit and entry decisions, other than to increase the transaction costs for the buyer and seller and increase the demand for accountants.

4. Manitoba

As in Saskatchewan, quota is the property of the Board which has wide powers of allocation and reallocation. A waiting list of producers requesting more quota is kept, with priority going to the oldest names on the list and subject to one-third going to new producers. Quota is allotted to specific production facilities; upon sale of facilities, the Board may reallocate quota to the purchaser. Necessary conditions to be met include no value for quota in the sale price and the purchaser must be within the relatively low maximum quota limit. Purchased quota cannot be resold for at least 2 years, quota cannot be rented nor can it be used as collateral.

The economic effects of these rules are very similar to those in Alberta and Saskatchewan. Farm costs and industry efficiency are significantly sacrificed by the tying of quota to specific parcels, by the uncertainty of quota reallocations and by the difficulty of arranging for farm expansion. Implicit quota values will be reduced, average farm size reduced, number of chicken enterprises increased, and new entrants favoured.

5. Ontario

Quota is attached to specific production facilities and is transferred between producers only by the purchase of facilities of an ongoing operation. In addition, an exiting producer may sell his quota to the Board (retaining his own facilities) which will be reallocated by sale to existing producers in small lots according to a chronologically-ordered waiting list. Other restrictions include a (relatively large) maximum farm size, quota cannot be retransferred for 2 years, a seller must have been in production for at least 2 years, and quota may only be rented with facilities and for up to one year.

These rules make more costly the expansion of existing farms and the entry of efficient new enterprises, raising average farm costs, decreasing industry efficiency, reducing quota values, decreasing average farm size and increasing the number of chicken enterprises, and having little effect on new entrants per se.

6. Quebec

Chicken quota is owned by producers in Quebec, and can be freely traded. Since 1984, all transfers occur within public auctions held quarterly. Complete or partial transfers are possible, but purchasers must not be a non-family corporation and must show evidence of owning or leasing production facilities with "sufficient" space. There is a (relatively large) maximum quota holding, and quota cannot move between three administrative regions of the province. Quota cannot be resold for at least one year, but it can be rented, provided that both parties already own quota within the same region and that the rental is for no more than 2 years.

This scheme appears to be the most economically efficient of all chicken quota regulations in Canada. It does little to restrict farm level decisions such as expansion and it does little to inhibit low cost entrants to the industry. Quota values will be correspondingly higher, farm size larger, for the given provincial quota allotment the number of producers will be smaller, and new entrants face few barriers.

7. Nova Scotia

Although quota is owned by producers, it can be transferred only with Board approval. It can be transferred with the sale of production facilities, or it can be sold at a fixed price to the Board which will reallocate it with priority to smaller farms. An individual can enter the industry only by the purchase of an existing operation. There is a maximum quota holding, and quota cannot be resold for at least 5 years. Quota cannot be rented, willed or used as collateral.

These quota regulations are moderately restrictive, but appear to be less so than those in many other provinces. They have the effect of increasing farm costs and reducing industry efficiency by tying quota to premises, quota values are reduced, farm size is smaller, the number of chicken enterprises is increased, and new entrants are neither favoured or disadvantaged.

8. Prince Edward Island

In this province with only 9 producers, chicken quota cannot be sold, bought or rented. When a producer ceases production, the quota reverts to the Board, which re-allocates at its own discretion. The purchaser of a production unit may be allocated the seller's quota, in its entirety only, if the Board deems the purchaser to have "suitable facilities, adequate financial resources, and an assured market." There is a maximum quota holding.

These regulations offer the Board wide discretion, at the expense of farm level decisions regarding expansion, location and entry. The results are similar to those in Manitoba except for no favouring of new entrants; otherwise, increased farm costs, decreased industry efficiency, smaller implicit quota values, smaller farms and more chicken enterprises.

FLUID MILK

1. British Columbia

Fluid milk quota is freely traded among producers, usually with the services of private brokers but without a formal exchange. The only exceptions to free transferability have been several brief periods of high or growing quota values. The transfer is subject to Board approval and the Board does not "recognize" a value for quota. The transfer is subject to a maximum quota holding and there are no interregional transfers of quota allowed among the five administrative regions of the province. Rental of quota is technically permitted but it is very rare. September 1987 will mark the introduction of a 10% transfer assessment to be used to finance a new quota "building" program.

The ease of quota transferability has facilitated many farm level and industry adjustments, with 5 to 8 percent of the quota stock turning over each year. Except for the restrictions on interregional transfers, this regime has done little to increase farm costs and decrease industry efficiency. Quota values and farm size have been little reduced by system rules, farm numbers have fallen as dictated by farm cost/size considerations, and excepting a small and nominal program to aid new entrants, there has been little to affect entry.

2. Alberta

Fluid milk quota can be freely traded, but only through a quota exchange designed along the Ontario model. There is a minimum quantity which can be transferred and a maximum quota holding, but the major restriction is that quota usually cannot be transferred between farms which ship to different processing plants. Quota is the property of the Board and cannot be rented, used as collateral or willed. There is no transfer assessment.

This is a fairly flexible system of allocating quota, and the ease of transfer has resulted in 6 to 7 percent of the quota stock turning over in recent years. As in B.C., except for the regional transfer restriction, these rules have done little to increase farm costs and decrease industry efficiency. Other conclusions would be the same as those for B.C.

3. Saskatchewan

Quota can only be transferred with the sale of a complete farm or dairy herd or to an immediate family member. Since July 1986, the purchaser of a herd can obtain 80% of its quota, with the balance reverting to the Board. In addition, allocations are made annually by the Board on the basis of each farmer's production during the six winter "quota months". After 1 year the quota can be moved by the purchaser to a new location. There is no maximum quota holding, only a minimum quota of 250 kg/day, there is no rental of quota, quota is the property of the Board and no value to it is officially recognized.

These regulations have the usual negative effects on farm costs and industry efficiency due to the tying of quota to physical assets, although the recent change of tying it to a dairy herd introduces more flexibility and less cost into the system of transfers. The lack of regional restrictions (after one year) and the lack of a farm size limit enhance the efficiency of the provincial fluid milk industry. The net effect would be to increase farm costs and reduce industry efficiency moderately, decrease quota values accordingly, reduce farm size and increase the number of producers. New entrants are not significantly affected by these rules.

4. Manitoba

Milk quota in Manitoba includes both fluid and industrial milk and it can not be bought, sold, rented or have a value. It can be transferred with purchase of farm facilities, cattle or even without assets as long as the quota has no value. Except for the purchase of an ongoing operation or a within family transfer, there is a 20% assessment fee upon of the quota. There is a maximum holding, which is four times larger for corporations or partnerships, and a minimum holding. This assessment finances Board allocations of quota (in lots of 200 litre/day) to persons on a chronological list. If a producer produces less than his quota in the previous September-January period, he suffers a one year loss in effective quota ("daily entitlement).

The main constraint on quota transfer in this regime is that it must not carry a value, and the effects of such a scheme on farm costs and industry efficiency hinge on how easy it is to hide the inherent value of the quota. The more difficult this is made by Board examinations, the less flexible and more costly is the scheme. It would seem to increase farm costs and industry efficiency to an extent intermediate between the rigid tying of quota to farm assets as in feather industries in the Prairie Provinces and the freely transferable quota schemes such as fluid milk in B.C., Alberta, Ontario, Quebec, New Brunswick and Nova Scotia. Farm size and number of producers are moderately affected accordingly, but the scheme appears to have no great effect on entrants.

5. Ontario

Fluid quota is freely traded in Ontario through a much-copied and effectively operating quota exchange, or with the sale of a complete production unit, or via a within-family transfer. The restrictions are that industrial milk quota first must be owned, there is a maximum quota holding and minimum transfer, there is a 15% transfer assessment, quota cannot be rented, and quota which is purchased as part of an ongoing operation cannot be transferred to a new location for at least 2 years.

This scheme has positive economic effects by providing for a great deal of flexibility in farm decisions and by doing little to hamper new entry. The farm size restriction is unlikely to be constraining many farms and the regional transfer restriction appear not to be burdensome. As such, farm costs, industry efficiency, quota values, farm size, producer numbers and new entrants are altered little by the quota regulations per se.

6. Quebec

The fluid quota transfer regime in Quebec is very similar to that in Ontario, and also has positive economic effects. The main differences are that the transfer assessment is only 10%, quota purchased on the exchange cannot be resold for at least 6 months, and quota is the property of the producer, so can be willed. Its economic effects are virtually identical to those described above for Ontario. Quota transfer appears marginally less restrictive in Quebec, hence these rules do even less to increase farm costs.

7. New Brunswick

This scheme also is very similar to those of Ontario and Quebec. In addition to transfer via the quota exchange, quota can be transferred by the sale of an ongoing operation or by the sale of a dairy herd; in the latter two cases, quota must be sold in its entirety. With purchase of an ongoing operation quota cannot be resold for 2 years, and in the case of a complete herd purchase, the restriction on resale is 1 year. Producers must show a letter of credit in order to use the Exchange, quota is the property of the Board, and it cannot be rented or used as collateral. This scheme is only slightly more restrictive than that of Ontario or Quebec and its economic effects will be similar. As in those provinces, it appears to do little to increase farm costs or reduce industry efficiency; it is consistent with a rational economic development of the province's fluid milk sector.

8. Nova Scotia

Quota can be traded privately in whole or in part in Nova Scotia, much as in British Columbia. There are restrictions on resale, but the only significant constraint appears to be the regional restriction, tying quota to processing plants as in Alberta. There are minimum amounts which can be transferred but apparently no maximum. Although quota cannot be rented, it is owned by producers and can be used as collateral or willed.

Aside from regional restrictions, this scheme does little to hamper farm decisions or entry, hence does not significantly raise farm costs or decrease industry efficiency. Its effects are most similar to those in B.C. and Alberta. Quota values and farm size have been little reduced by system rules, farm numbers have fallen as dictated by farm cost/size considerations, and excepting a small and nominal program to aid new entrants, there has been little to affect entry.

9. Prince Edward Island

There are only two means of transferring fluid milk quota in P.E.I., between two immediate family members, or by the sale/purchase of an ongoing production unit. There is a provincial residency restriction, and a requirement that the purchaser must have been a milk producer in the province for at least 1 year prior to purchase. There is a relatively small maximum quota holding and all quota is the property of the Board. This scheme is one of the more restrictive fluid quota regimes across provinces, which increases farm costs and decreases industry efficiency accordingly. Quota values will be lowered, farm size clearly reduced, the number of fluid milk enterprises increased, and new entrants little affected.

INDUSTRIAL MILK (MSQ)

1. British Columbia

MSQ is tied to production facilities in B.C. It is non-transferable except with production facilities, and even then at the Board's discretion. When such a transfer is allowed, it applies to no more than 27 liters of MSQ per 100 liters of fluid milk, with the balance reverting to the Board. An important further restriction is that MSQ is tied to fluid quota and cannot be obtained separately. A producer cannot choose to specialize in serving the industrial market exclusively.

By not allowing a farmer to choose the extent to which he ships industrial milk, constraining the choice of output mix, this regime restricts farm-level decisions and entry, raises average farm costs and reduces industry efficiency. This reduces the implicit value of MSQ, inhibits new entrants and industrial milk processors, but the effect on farm size and number of milk producers is not clear. Those producers prevented by these rules from specializing in the production of industrial milk, along with the processors who might serve them, may well be smaller than average operations.

2. Alberta

MSQ has been traded separately from fluid quota since 1982, and producers now can hold either or both quotas. A producer can sell MSQ in whole or in part, subject to his holding the MSQ required by his fluid quota. With Board approval, MSQ can be sold on a quota exchange, or through a whole-farm sale or in a family transfer. The exchange operates for both unused and used (within the current dairy year) MSQ. There is a minimum transfer, an assessment fee, and quota cannot be rented, willed or secured as collateral.

These policies keep the allocation of MSQ quite flexible, even offsetting the regional restrictions on fluid quota transfer. In the context of the fluid quota regulations, the MSQ rules will decrease farm costs, increase industry efficiency, will encourage new entrants, and tend to increase farm size and decrease farm numbers. The effects on farm size and numbers is uncertain, as in the case of B.C.

3. Saskatchewan

Since July 1986, MSQ can be transferred with the sale of a whole farm, via an intra-family transfer, or 80 percent of it can be transferred with the purchase of a herd. This is parallel to the rules for fluid quota, and in this context, the MSQ rules add marginally to the flexibility of the system in allowing an efficient allocation of milk production across farms. Along with the modest effects on lowering farm costs or increasing industry efficiency, the regime makes it somewhat more attractive to new entrants.

4. Manitoba

Because there is only one milk quota in Manitoba incorporating both fluid and industrial quota (TAP), the quota transfer rules described and analyzed in the fluid milk section earlier provide all the information for industrial milk quota as well. By tying quota to assets, the scheme does not promote low farm costs or industry efficiency, although assessment is complicated by the extent to which the Board effectively enforces its prohibition on quota value.

5. Ontario

MSQ is traded freely through the provincial quota exchange, where both used and unused MSQ trade. In addition, MSQ can be transferred through the sale of complete production units and within a family. Many of the rules for MSQ transfer are similar to those that apply to fluid quota, although producers are not restricted to holding fluid quota in order to hold MSQ. The reverse, of course, is not true. There is a maximum quota holding of 5000 liters/day, and a maximum quota transfer amount as well. All transfers through the exchange are subject to a 15% transfer assessment, and MSQ acquired in the purchase of an ongoing operation cannot be resold for at least 2 years. MSQ cannot be rented.

These rules add to the existing flexibility of the Ontario fluid quota regime by contributing no added constraints or barriers and by offering farmers another product to produce, industrial milk, or another quota to use to diversify production. This flexibility has been enhanced by defining MSQ into that which is used and that which remains unused. The Ontario quota management scheme has been sufficiently attractive for several other provinces to adopt similar systems. The summary effects on farm costs, industry efficiency and other variables of interest are as described in the fluid section earlier.

6. Quebec

The system of transferring MSQ in Quebec is very similar to that in Ontario. There is a minimum MSQ holding for industrial milk producers, although no apparent maximum. In addition there are minimum and maximum amounts that producers can buy or sell through the quota exchange, and a maximum amount of MSQ which can be purchased per year through the exchange. There is a transfer assessment and rental is not permitted.

The economic effects of this scheme are also the same as those for Ontario. The ease with which MSQ can be traded in Quebec adds no constraints to milk producers and offers added flexibility. Therefore, the MSQ rules help ensure that, relative to the fluid quota regulations, farm costs, industry efficiency, quota values, farm size, farm numbers and new entrants are not significantly unaffected.

7. New Brunswick

The MSQ transfer regulations in New Brunswick are very similar to those in Ontario and Quebec. The size restrictions on maximum farm size and amounts of quota which can be sold or bought on the exchange differ, and to participate on the exchange, producers must possess a letter of credit to indicate financial stability. Otherwise the scheme is almost identical, and has the same effects in creating additional flexibility and preventing the addition of further constraints to farm decision making and entry. The main conclusions regarding the effect of fluid quota regulations on the variables of interest still hold, as written earlier.

8. Nova Scotia

MSQ transfer in Nova Scotia follows the pattern in Alberta, Ontario, Quebec and New Brunswick, with the use of a provincial quota exchange. Except for Board-approved within-family transfers, this is the only means of MSQ transfer in Nova Scotia. There are two added restrictions, only unused MSQ can be traded on this exchange, and more importantly, the exchange only operates once per month from April through July each year. MSQ also is tied to specific processing plants as in the case of fluid quota, but producers have the option of producing industrial milk only. As usual, there are restrictions on the size of quota purchases and quota cannot be rented.

These rules provide limited options for transferring MSQ which help provide a little added flexibility to the fluid quota system. The restriction of tying quota to processing plants is maintained for MSQ. The general conclusions about the effect of fluid quota transfer rules on the variables of interest still hold.

9. Prince Edward Island

In contrast to fluid quota in PEI, MSQ can be bought and sold on a quota exchange, in addition to being obtained via the purchase of an ongoing operation as for fluid quota. The quota exchange is along the lines of the Ontario model, with an exchange for used and unused MSQ. The exchange operates with the unusual restriction of a ceiling price, and is limited to existing producers only. There are the usual maximum size restrictions and transfer assessments. This exchange does provide a means of retiring producers to capitalize on their quota investment even if fluid quotas are not traded--fluid quota can be converted to industrial quota for the retiring producer to sell on the exchange.

The MSQ exchange in PEI is more restrictive than that in Ontario or Quebec, but it offers more economic advantages and farm flexibility than in other provinces with MSQ exchanges because the existing fluid quota scheme is so restrictive. Consequently, the economic benefits which this MSQ exchange adds to the province's milk industry are unusually large. It lowers farm costs, increases industry efficiency, raises quota values, increases farm size, reduces the number of dairy enterprises and makes the industry generally more attractive to new entrants.

CONCLUSIONS

1. In the course of this study we have documented the rules and procedures which govern the allocation and transfer of farm quotas for 42 commodity marketing boards. The considerable length of the earlier descriptive sections alone makes clear how numerous and varied the quota regulations of these boards have become. It is worth noting that there is yet no universally accepted pattern of rules which have evolved from the experience of managing these regimes over the past 10 to 20 years, despite comparable problems in making quota systems work well. As a result, there is much potential to aid the process of improving the set of rules which best manage quota systems by documenting, communicating and reviewing the current variety of regulations.

2. Most of the rules that are found reflect efforts to restrict and control quota transfer, compared to a policy of free and open transfer. But although they are many and diverse, some rule types are observed frequently. The ten most common classes of restrictions are the following:

1. Quota is tied to farm assets, facilities, and/or location.
2. Quota is allocated solely by the Board at their discretion.
3. There is a maximum quota holding or maximum farm size.
4. Buyers must be financially independent to avoid vertical integration.
5. There are restrictions on quota transfer between regions.
6. There can be no sales of partial quota holdings.
7. Quota rental is restricted or, more commonly, prohibited.
8. Buyers must be residents of farms or the province, or farm operators.
9. There can be no value attributed to quota in a transfer.
10. Purchased quota cannot be resold for a certain period of time.

3. The economic effects of these restrictions are not benign. In fact, when enforced they usually have significant negative effects on the economic efficiency of the industry; indeed, generally speaking, the greater the number

of rules, the less efficient the industry becomes. The ideal system for managing the transfer of farm quotas should be very simple, for reasons of both administrative simplicity and industry efficiency. If an efficient industry is to be sought, administrators of quota schemes are advised to resist as much as possible any temptation to achieve too many different objectives with their quota regulations or otherwise fine-tune them.

4. Judgments of the actual effects of these ten restrictions or of the different provincial boards' quota regulation systems cannot be made definitively without substantial empirical work, as noted at the outset of the previous chapter. All that can be offered in a study of the rules themselves is a more general, less clear-cut appraisal. Accordingly, we can make the following observations of the most and least significant restrictions and of the provincial regulatory schemes which are most and least attractive on the basis of greatest industry efficiency.

5. Turning first to the listed restrictions, the most significant, or damaging of industry efficiency, are items 1, 2, and 5. Depending upon enforcement, details of the regulations, and local circumstances, 3, 4, and 9 also could be very important. In the short run, restrictions 6 and 7 can be important, but are of modest significance compared to items 1, 2, and 5. Items 8 and 10 are likely to have the least economic importance. The restriction on quota movement between provinces, unlisted above, is a mix of items 1 and 5 and is likely to be increasingly of the greatest importance in influencing the efficiency of the national industry.

6. In terms of provincial commodity regimes we make the following observations

of their effects on industry efficiency.

Turkeys: the schemes in Ontario and Quebec are most attractive while those in the three Prairie provinces and Nova Scotia are least attractive.

Eggs: Ontario, Quebec and Nova Scotia are most attractive and the Prairie provinces, PEI and Newfoundland are least attractive.

Broilers: Transfer regulations are generally less conducive to industry efficiency than egg or milk board schemes; among these, Quebec has the most attractive scheme and Saskatchewan, Manitoba and PEI the least attractive.

Fluid milk: Ontario, Quebec and Nova Scotia schemes are most attractive, while the PEI, Saskatchewan and Manitoba schemes are least so.

Industrial milk: Alberta, Ontario, Quebec and New Brunswick schemes are most attractive and the B.C., Saskatchewan and Manitoba schemes are least so.

7. With so many regulations being imposed which fairly clearly damage the economics of the province's industry, it is worth considering why such regulations are chosen in the first place. What these varied regulations represent is an attempt to meet a variety of other non-efficiency objectives in dealing with perceived problems. For example, a number of quota rules attempt to preserve existing farms against larger or otherwise more competitive farms (e.g., those in other regions) to control who is able to buy quota. In a related vein, there is the objective of preventing vertical integration and keeping the existing structure of the industry. There is frequently the objective of hiding quota values, and the objective of reducing speculation on the price of the quota. An important policy problem in all this is that a number of these goals conflict with the goal of increased economic efficiency of the industry, hence measures adopted to meet these other objectives do so likewise (see B. McCabe, 1986). Perhaps the quota transfer system is being

burdened with trying to achieve too many goals for what realistically can be accomplished. If there is no resolution of this inherent conflict among the goals of various provincial boards, industry efficiency will continue to be damaged, seriously damaged in some situations.

8. Finally, the discussion of quota transfer regulations has been undertaken so far with virtually no reference to the price or value of the quota. Yet, as quota value rises, the importance of these regulations increases considerably. Enforcement problems rise, and it easily can happen that quota allocation and reallocation rules become more important to a farmer than production of the regulated commodity per se. Because quota values are so important in achieving effective quota transfer regulations, hence an efficient industry, the price of the regulated product should be formulated with this matter in mind.

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APPENDIX

QUESTIONNAIRE

(Please answer on separate sheets of paper)

A. Goals of the Board

1. Within the following partial list of goals or objectives which may guide your Board, could you indicate which of them take precedence?

   (a) to maintain the family farm
   (b) to ensure horizontal equity among producers
   (c) to achieve and maintain adequate levels of entry into the industry
   (d) to guide the direction and structure of the provincial industry (e.g., to inhibit or encourage farm consolidation, to restrict vertical integration, etc.)

   Please add other goals which guide the decisions of your Board.

B. Quota Purchase Rules and Procedures

1. What are the initial requirements for purchasing quota?

   (a) Is an ongoing operation necessary?
   (b) If a newcomer, are there any financial requirements?
   (c) What health standards must be met?

2. Are there minimum or maximum amounts of quota which can be purchased? If so, what are they?

3. What are the restrictions on quota sales?

   (a) Must certain assets accompany the quota upon transfer?
   (b) Can just part of the quota be transferred or must the quota be transferred in its entirety?
   (c) Describe any regional within-province restrictions on quota transfers. Can a farmer move the operation to another production region within the province?

4. Are there any taxes or levies on quota transfers? Are they paid by the seller?

   (a) Does the Board take some percent of the quota as transfer assessment?
   (b) If so, what do they do with this quota?

5. Are purchases arranged through an exchange, through private brokers, or through the Board?

   If arranged through the Board or specified by the Board:

(a) Is Board approval automatic?
(b) Can the Board veto a sale between two consenting parties?
(c) Does the Board have criteria for deciding who may purchase quota and who may not?
(d) Is the price of quota determined solely by the market?

6. Are there any other restrictions or rules limiting quota purchase?

7. Are there different types of quota which can be bought, such as temporary or permanent quota?

C. Quota Allocation Rules and Procedures

1. Are there more requests for quota than available quota?

2. How is the available quota rationed among applicants? What criteria are used to decide who will receive quota and who will not?

   (a) Is allocation of individual marketing quotas based solely on the production performance of farmers during a previous representative period? If so, what are the standards of performance? What is the length of the representative period?
   (b) Among new applicants to the industry, are family ties to an existing producer considered?
   (c) Which individuals, if any, are excluded? (e.g., Are those with some ownership of farm supply firms such as feed companies excluded, or are existing farms excluded, preventing them from growing in size?)
   (d) What other kinds of specific requirements must be met, such as financial possession of ongoing operation, health standards, personal characteristics, etc.?

3. Are there minimum or maximum amounts of quota allocated? If so, what are they?

4. What are the restrictions limiting quota allocations?

   (a) Is the quota tied to specific land parcels?
   (b) Are there any other restrictions or rules limiting quota allocations?

D. New Entrant Programs

1. What are the objectives of the program?

2. Is there excess demand (more applicants than available quota) among producers wanting to obtain quota through a new entrant program?

   (a) How has the waiting list of applicants varied over the last 5-10 years?
   (b) How many are currently in the queue?

3. What are the criteria for successful admission to a new entry program?

   (a) How many new entrants have entered the industry in each of the last 10 years on a new entrant program?
   (b) What are the common features of unsuccessful applicants?

4. From where does the Board obtain the quota to provide to program participants?

5. What other special programs have been attempted to facilitate (or discourage) entry?

   (a) How successful were these programs?

E. Allocation Rules Governing Changes in Total Quota Stock

1. What factors dictate system-wide (either on a regional or provincial basis) increases in total stock of quota?

   (a) Are increases in the total stock of quota due to increased consumption?

2. How are increases in the total quota stock allocated across producers?

   (a) How much, if any, is allocated to existing producers?
   (b) How much, if any, is allocated to new entrants?
   (c) What is the allocation rule? Is it a pro-rate (e.g. two percent) increase to all producers, or a specific increase (e.g. 20 cases or 10 litres) per producer? Are some regions or producers allocated more or less of an increase in quota than the average increase?
   (d) Are there different types of quota allocated, such as temporary or permanent (base or secondary)?
   (e) How much have the amounts of system-wide increases changed each year during the past 5-10 years?
   (f) Can these increases be anticipated by individual producers?

3. Is it possible to have a system-wide decrease in the total stock of quota (e.g., due to decreased consumption)?

(a) If so, what is the mechanism for allocating these decreases?
(b) To whom will decreases in total quota stock apply?
(c) What is the allocation rule? Is it a pro-rate decrease to all producers, or a specific decrease per producer?

F. Economic Effects of Quota Allocation and Transfer Policies

1. What information do you have regarding current and past values of quota (if traded)? Please provide prices for the past 5-10 years or for however many years are available.

   (a) How has the implicit value of quota (if not traded) changed as a result of various quota allocation and transfer policies?

2. How have costs of production changed over the last 5-10 years as a result of various quota allocation and transfer policies?

3. What is the current number of producers in the industry and how has that number changed over the last 5-10 years as a result of various quota allocation and transfer policies?

4. What is the current average farm size in the industry and how has it changed over the last 5-10 years as a result of various quota allocation and transfer policies?

5. How have farm debt/equity ratios changed over the last 5-10 years as a result of various quota allocation and transfer policies?

G. Additional Topics

1. Can quota be rented?

   (a) If not, why is rental prohibited?
   (b) If so, is it widely used and working effectively?
   (c) Are rental prices collected?
   (d) How do rental prices relate to quota purchase prices (e.g., are they about 1/5, 1/4, or 1/3 of purchase prices)?

2. What conditions are required for maintenance of quota?

   (a) Is there a penalty applied by the Board to producers who fail to maintain a required level of production?
   (b) If so, what is the necessary level of production and how long must it be maintained?
   (c) Are there any penalties applied to producers for over production aside from any national over-quota levies?

3. Does the Board retain ownership of quota at all times, or is ownership transferred to the producer when quota is sold?

   (a) Can quota be used as collateral by a producer trying to finance a loan?
   (b) Can quota be repossessed by a bank for default of payment?
   (c) Can quota be willed to an outside party?

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